EAST AYRSHIRE COUNCIL

ANNUAL ACCOUNTS

FOR THE YEAR ENDING **31 MARCH 2019**

East Ayrshire Council
Comhairle Siorrachd Àir an Ear

SUPPORTING

year of young people
bliadhna na h-òigridh
2018

Front cover 'Year of Young People 2018' images

(rows from left to right)

Row 1

Whatriggs Primary School official opening

Barony Campus time capsules

Barony Campus foundation stone laid by John Swinney

Hurlford Primary School and Early Childhood Centre extension opening

Row 2

William McIlvanney Campus official opening

William McIlvanney Campus plaque unveiling by Siobhán and Liam McIlvanney

WW1 Centenary celebrations, Thiepval Memorial, France

Year of Young People event, Ayrshire College, Kilmarnock

Row 3

Crosshouse Primary School Happy Hive

Year of Young People Colour Run

Auchinleck and Cumnock Academy Scotland Rugby Internationalists

East Ayrshire Youth Conference 2018

Row 4

Scottish Youth Parliament, Ayrshire College, Kilmarnock

Barony Campus Meet the Team event

Year of Young People Awards Ceremony, Dumfries House

Year of Young People time capsule

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EAST AYRSHIRE COUNCIL
MANAGEMENT COMMENTARY

All Councils continue to face significant challenges, particularly from continued real terms reductions in revenue funding by government.

At the same time, demand for Council services is continuing to grow and new legislation places additional responsibilities on local government.

In order to overcome these challenges, we are transforming our approach to ensure that our services are redesigned, aligned and delivered within reduced budgets in ways that will best serve our communities.

To do this, we will build on our 2012-2017 Transformation Strategy, which successfully secured savings of £34 million for the Council by identifying new ways of delivering services and securing positive outcomes for our communities.

Our new Transformation Strategy has been developed to deliver a programme, which, by 2022, will see a smaller Council employing fewer people but will continue to deliver high quality, key services; and an engaged Council, enabling communities to share decision making and providing opportunities for joint delivery of services.

Our Council is well positioned to deliver the change needed to meet the challenges of the future.

INTRODUCTION TO EAST AYRSHIRE

East Ayrshire covers an area of 490 square miles, with a population of 121,840 residents living in a mixture of urban, rural and isolated communities. Kilmarnock is the largest urban area with a population of over 46,000. Other communities range from less than a hundred people in small villages and rural areas, to around 8,700 people in Cumnock, the second largest town. Situated in south west Scotland, East Ayrshire has a varied natural environment, a rich and high profile cultural heritage, a proud industrial history and a range of activities, recreation and hospitality, which attract visitors from all over the world.

Overall, population numbers in East Ayrshire are projected to remain broadly static through to 2026, while the population of Scotland is projected to increase by 3.2% over the same period. There is, however, a decline projected in the population in East Ayrshire aged 16-29 (-11.8%), 30-49 (-5.4%) and 50-64 (-0.6%), and growth in the population aged 0-15 (0.3%) and 65-74 (8.3%). Importantly, there will be a substantial increase in the 75+ age group, with a projected rise of 27.4%. Thereafter the population of East Ayrshire is projected to decline by 3.1% between 2026 and 2041 compared with a rise of 5.3% in Scotland. These changes are important in how the Council and our Community Planning Partners shape future service design and delivery.

“East Ayrshire is a place with strong, safe and vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people’s needs.”

INTRODUCTION TO EAST AYRSHIRE

121,840
estimated population

48.5% MALE

51.5% FEMALE

3.1%
reduction
in projected
population
by 2041

LAND AREA
127,033
HECTARES
(490 SQUARE MILES)

3.4% URBAN LAND

96.6% RURAL LAND

MAIN TOWNS

Kilmarnock Population 46,056
Cumnock Population 8,707

Remainder of the population lives in smaller communities and rural areas.

58,504
dwellings on
Council Tax Register

OUR PRIORITIES

In East Ayrshire, the Community Plan, covering the period from 2015 to 2030, is recognised as the sovereign planning document for the local area, providing the overarching strategic policy framework for the delivery of services by all partners.

East Ayrshire Community Planning Partnership comprises representation from the following organisations: the Council, NHS Ayrshire and Arran, Police Scotland (including Police Authority), Scottish Fire and Rescue Service, Scottish Enterprise, Ayrshire College, Strathclyde Partnership for Transport, Skills Development Scotland, East Ayrshire Health and Social Care Partnership, Scottish Government, Voluntary Sector, Community Sector, and Ayrshire Chamber of Commerce and Industry.

The following key thematic priorities of the Community Plan are being taken forward through the implementation of strategic Delivery Plans, which operate for a three-year period (currently 2018-2021):

Economy and Skills

Safer Communities

Wellbeing

To drive forward the activity contained in the thematic Delivery Plans, each Delivery Plan has a Strategic Lead Officer and a multi-agency working group. These delivery themes are mirrored by the Council's management structure.

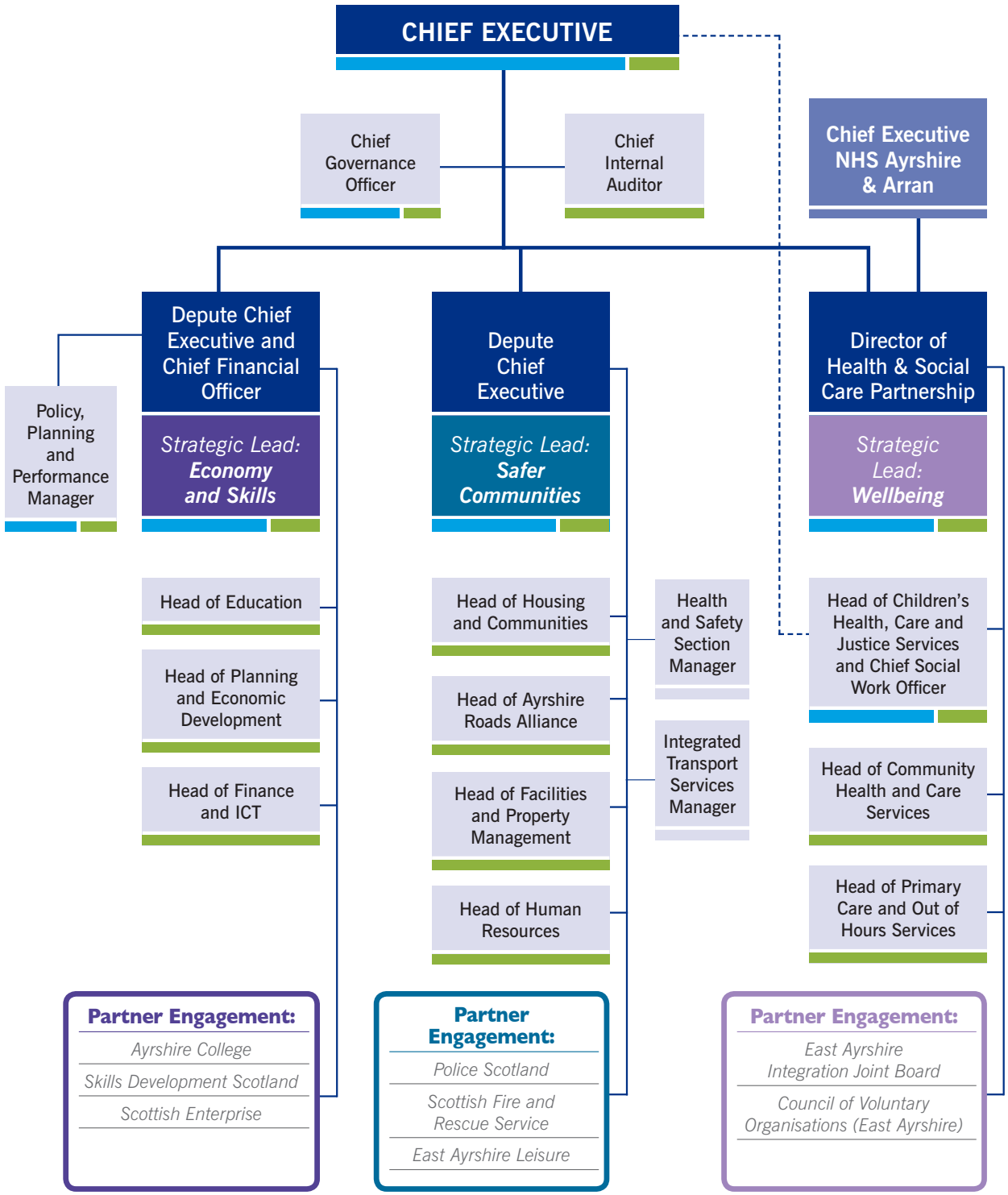
The strategic plans of all Partner agencies are aligned to the Community Plan, ensuring that their mainstream activity, detailed within their Service / Operational Plans, is directed at achieving identified and agreed local outcomes.

The three shared strategic priorities agreed by the Council and the Community Planning Partnership Board, which are reflected across all of our work are:

- **Improving outcomes for vulnerable children and young people, with a particular focus on looked after children and young people and young carers;**
- **Older people: adding life to years – tackling social isolation; and**
- **Community led regeneration – empowering communities and building community resilience.**

In East Ayrshire, the Local Outcomes Improvement Plan 2018-2021, underpins our Community Plan, providing the formal performance management framework, against which to demonstrate our progress towards improving outcomes for local people and our communities. Our annual performance is reported to a joint meeting of the Community Planning Partnership Board and East Ayrshire Council in September each year.

COUNCIL MANAGEMENT STRUCTURE



Policy Decision-Making Structure of the Council

The Council has 32 elected members with a minority administration comprising 14 Scottish National Party members. The remaining members represent the Scottish Labour Party (9), the Scottish Conservative Party (6), the Rubbish Party (1) and there are 2 Independent members.

The decision making structure within the Council is based on a Cabinet model including a Governance and Scrutiny Committee chaired by an Opposition member.

OUR KEY ACHIEVEMENTS

East Ayrshire Council is committed to continuing to deliver best value services and our work to improve and transform services is widely recognised, both locally and nationally.

As part of our £549 million ten-year General Services Capital Investment Programme, we aim to ensure that our children and young people are learning and thriving in environments that are bright, creative and state-of-the-art. For example, the new William McIlvanney campus in Kilmarnock was formally opened in September 2018, with work underway at the new £68 million Barony Campus in Cumnock and at the new £6.1 million Primary School, Early Childhood Centre and Community Facility in Bellsbank.

A total of 93.6% of our young people in the senior phase (S4-S6) entered a positive destination on leaving school.

AYRSHIRE GROWTH DEAL

The Ayrshire Growth Deal has been secured, with a total investment of £250 million for the package of projects, which will help to create 13,000 jobs, bring £2 billion investment to the area, improve local infrastructure and breathe new life into the Ayrshire economy.

We have established a range of comprehensive support arrangements to assist people adversely affected by Welfare Reform.

Tackling child poverty is a key objective and as part of our efforts, all young people attending the Active Schools Programme are provided with a healthy packed lunch, free of charge. Over 12,000 lunches were provided in July and early August 2018, reducing the impact which the summer holiday period can have on vulnerable families, including those experiencing in-work poverty.

We continue to support our communities to develop Community Led Action Plans and 20 action plans and one thematic action plan are now in place.

Throughout the year, volunteers in our communities organise and manage a wide and varying range of events and, as a Council we provide support to ensure that those events are appropriately planned and operated safely and legally.

OUR KEY ACHIEVEMENTS

The national target of zero delayed discharges has been met in East Ayrshire since 2009, reflecting strong and consistent performance in relation to discharging people to the right setting within the community when they no longer require hospital based treatment.

We supported and encouraged a calendar of events as part of the 'Year of Young People' in 2018 and held our first ever joint meeting of the Council's Cabinet and the new Children and Young People's Cabinet.

Grange Academy Maths teacher, Chris Smith lifted the prestigious Teacher of the Year award at the Scottish Education Awards, recognising his dedication to maths, teaching and his students.

Chris's work includes developing new ideas shared with other teachers nationally, annual study camps, 'Pi-day' and writing a weekly maths newsletter with ideas and puzzles which has developed somewhat of a celebrity following with Countdown's Rachel Riley, Johnny Ball and the Proclaimers all being photographed reading it intently.

We reaffirmed our commitment to tackling digital exclusion by signing up to the National Charter for Digital Participation. This is one of the core workstreams of our Transformation Strategy, as we seek to support our teams and our local communities, to maximise the benefits of going digital.

Notable success was achieved in a wide range of national awards, including three prestigious accolades at the 2019 UK Improvement and Efficiency Social Enterprise (iESE) Awards, with a Gold Award for Housing Services for the affordable housing development in the community; a Gold Award for Waste Management Services for transformation in environmental services; and a Bronze Award in the Innovation Category for the Community Safety CCTV vehicle. In addition, the Respectful Funeral Service, created and developed by our Bereavement Services Team, was named the best in Scotland for Service Innovation and Improvement at the 2018 COSLA Excellence Awards.

EXTERNAL VALIDATION

Our performance is subject to scrutiny by a range of external audit and inspection agencies, which provide assurance that our services are well managed, fit for purpose, value for money and meet the needs of service users.

For example:

The Best Value Assurance Report of the Council was published by the Accounts Commission on 29 May 2018. The report highlights the Commission's view that the Council is performing well, services are improving, and there is strong partnership working. The report notes that the majority of services are improving against a backdrop of financial, social and economic challenges in East Ayrshire and acknowledges that the Council has effective financial planning and management arrangements in place.

An External Quality Assessment confirmed that our Internal Audit Service fully complies with the Public Internal Audit Standards and is a highly valued Council team.

Details of the Council's Statutory Performance Indicators for 2018/2019 were considered at Council on 19 September 2019 and are available on our website www.east-ayrshire.gov.uk

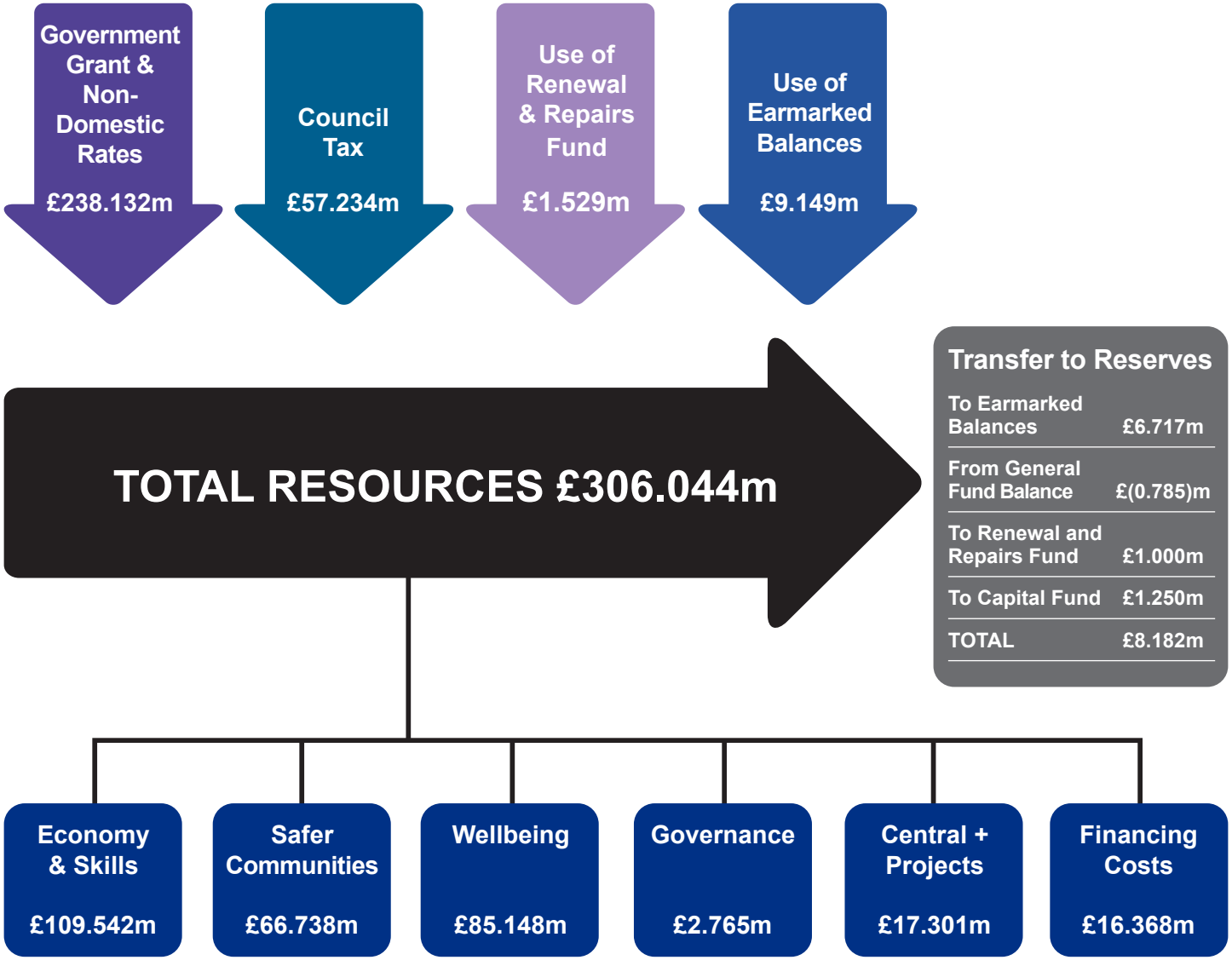
Depute First Minister John Swinney MSP, paid a visit to Riccarton Early Childhood Centre (ECC) in April 2019, to personally acknowledge the outstanding inspection report provided by Education Scotland inspectors. Late in 2018, Riccarton ECC was rated 'Excellent' across all four quality indicators, becoming the first educational establishment in Scotland to achieve such positive results across all educational sectors under the current inspection framework.

SUMMARY OF FINANCIAL PERFORMANCE

Financial information is a key element of the Council's performance management framework and East Ayrshire Performs reports are presented regularly to Cabinet and to the Governance and Scrutiny Committee and are published on the Council's website. The Council's management accounting arrangements are aligned with the management structure and are based on Community Planning Themes highlighted on page 4. Further details of the service year-end variances were provided in the East Ayrshire Performs report to Cabinet on 12 June 2019 which is available on our website @ **www.east-ayrshire.gov.uk**.

General Fund Revenue Expenditure

For 2018/19 the net spend on General Fund Services was £306.044m and actual income and expenditure is reflected below. During the year the transfer to reserves included £1m to replenish the Renewal and Repairs Fund, and an underspend in debt charges of £1.250m was transferred to the Capital Fund.



SUMMARY OF FINANCIAL PERFORMANCE

Telling the Story

The Comprehensive Income and Expenditure Statement (CIES) on page 29 sets out the Council's funding and spending in accordance with accounting requirements which is different to the way that we report performance internally. The Expenditure and Funding Analysis (EFA) on page 25 provides a link between the East Ayrshire Performs budget management reports and the figures in the CIES. The reconciliation below will assist users of the Accounts to navigate from the East Ayrshire Performs year end management report through to the first column of the EFA on page 25 and to the CIES on page 29.

East Ayrshire Performs				Building the EFA					EFA Column 1
2018/19	Annual Budget	East Ayrshire Performs Outturn	Variance (favourable) / adverse	East Ayrshire Performs Outturn	Movements - Contribution from Health & Social Care and Specific Grants	Movements - amounts not included within Net Cost of Services	Net Expenditure chargeable to the General Fund & HRA Balances	EFA Segment	Net Expenditure chargeable to the General Fund & HRA Balances
	£m	£m	£m	£m	£m	£m	£m		£m
Education	97.237	95.841	(1.396)	95.841	(5.485)	-	90.356	Education	90.356
Finance and ICT	8.498	7.818	(0.680)	7.818	-	-	7.818	Finance and ICT	7.818
Planning and Economic Development	5.826	4.198	(1.628)	4.198	-	-	4.198	Planning and Economic Development	4.198
Policy Planning and Performance Division	1.305	1.233	(0.072)	1.233	-	-	1.233	Economy and Skills Other Segments	1.685
Central Mgt Support Economy and Skills	1.413	0.452	(0.961)	0.452	-	-	0.452		
Housing and Communities	16.004	15.867	(0.137)	15.867	-	-	15.867	Housing and Communities	15.867
Ayrshire Roads Alliance	8.075	7.646	(0.429)	7.646	-	-	7.646	Ayrshire Roads Alliance	7.646
Facilities and Property Management	26.329	26.329	-	26.329	-	-	26.329	Facilities and Property Management	26.329
Human Resources	1.938	1.846	(0.092)	1.846	-	-	1.846	Human Resources	1.846
Transport Services	6.757	7.315	0.558	7.315	-	-	7.315	Transport (incl SPT)	9.433
SPT	2.148	2.118	(0.030)	2.118	-	-	2.118		
Arms Length Organisations	4.883	4.883	-	4.883	-	-	4.883	Arms Length Organisations	4.883
Central Mgt Support Safer Communities	0.331	0.335	0.004	0.335	-	-	0.335	Safer Communities Other Segments	0.734
Health and Safety	0.353	0.328	(0.025)	0.328	-	-	0.328		
Emergency Planning	0.074	0.071	(0.003)	0.071	-	-	0.071		
Children Families and CJS	20.214	19.372	(0.842)	19.372	(2.553)	-	16.819	Social Work: Provision of Services	73.750
Outwith Placements	4.577	5.037	0.460	5.037	-	-	5.037		
Community Care	54.495	53.484	(1.011)	53.484	-	-	53.484		
Service Strategy	5.862	5.631	(0.231)	5.631	-	-	5.631		
IHSC Debtor / Creditor to IJB	-	1.624	1.624	1.624	-	-	1.624		
Social Care Allocation from NHS	-	-	-	-	(8.845)	-	(8.845)		
Governance	2.978	2.765	(0.213)	2.765	-	-	2.765	Governance	2.765
Chief Executive Office (incl Internal Audit)	0.699	0.629	(0.070)	0.629	-	-	0.629	Chief Executive Office (incl Internal Audit)	0.629
Other Non Service Related Expenditure	2.550	3.028	0.478	3.028	-	-	3.028	Central Services	6.094
Insurance	2.519	2.075	(0.444)	2.075	-	-	2.075		
Debt Charges	17.607	16.368	(1.239)	16.368	-	(16.368)	-		
Council Tax	(56.904)	(57.234)	(0.330)	(57.234)	-	56.783	(0.451)		
HB/ CT Benefit Subsidy	10.233	10.043	(0.190)	10.043	-	(8.780)	1.263		
Government Funding	(238.150)	(238.132)	0.018	(238.132)	16.883	221.428	0.179		
Balance Brought Forward	(8.834)	-	8.834	-	-	-	-		
Reserve Transfers	(1.529)	0.721	2.250	0.721	-	(0.721)	-		
PP Economy & Skills	2.494	1.929	(0.565)	1.929	-	-	1.929	Projects	1.526
PP Safer Communities	0.017	(0.404)	(0.421)	(0.404)	-	-	(0.404)		
PP Governance	0.001	0.001	-	0.001	-	-	0.001		
Housing Revenue Account	-	(0.911)	(0.911)	(0.911)	-	-	(0.911)	Housing Revenue Account	(0.911)
Net Cost of Services (EFA Column 1)	**0.000**	**2.306**	**2.306**	**2.306**	**0.000**	**252.342**	**254.648**		**254.648**

Note 1 The £8.845m shown in the column headed "Movements - Contribution from Health & Social Care and Specific Grants" represents the Council's share of funding from Scottish Government that was first allocated to NHS Ayrshire and Arran prior to being transferred to the Council. The £5.485m and the £2.553m in Education and Children, Families and Criminal Justice Service reflect the Specific Grants for Pupil Equity Funding, Gaelic and Criminal Justice.

Note 2 The column headed "Movements - amounts not included within Net Cost of Services" predominantly relates to income and expenditure required to be reflected in the appropriate sections of the EFA and the CIES (below Net Cost of Service) in line with the accounting presentational requirements of the Code.

SUMMARY OF FINANCIAL PERFORMANCE

General Fund Balances

The General Fund is the statutory fund into which all receipts are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. It is funded by Government Grants, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements), Fees and Charges and the balance is delineated between uncommitted balances and balances which have been earmarked for specific purposes. The Movement in Reserves Statement (MiRS) on page 27 shows an overall reduction in the General Fund balance of £3.216m for the year with a closing balance at 31 March 2019 of £36.619m which can be analysed as follows:

General Fund	Uncommitted Balance £m	Earmarked Balances £m	Total £m
Use of Balances	0.000	(9.149)	(9.149)
Re-allocation - Balances Review	0.200	(0.200)	0.000
Re-allocation to committed Balances	(0.266)	0.266	0.000
2018/19 Balance Added / (Used)	(0.785)	6.718	5.933
Total shown in MiRS	(0.851)	(2.365)	(3.216)
2017/18 Balance Brought Forward	13.205	26.630	39.835
2018/19 Outturn Position	12.354	24.265	36.619

When the Council set its budget for 2018/19 it approved, as part of its Reserves and Balances Strategy, a minimum level of uncommitted (unearmarked) reserves of 2% which is kept under review throughout the year with transfers to and from the balance. At 31 March 2019 the General Fund Uncommitted Balance was £12.354m, representing 3.7% of net revenue expenditure.

In order to encourage longer term planning our Reserves and Balances Strategy also allows services to earmark and carry forward underspends into the next year for use on non-recurring, fixed term projects or to assist in aligning services with resources over a three year period. The earmarked balances are reviewed throughout the year and in line with our Strategy an annual review of balances is reported to Cabinet. Within the year £0.200m was reallocated from earmarked balances to uncommitted balances, approved by Cabinet on 21 November 2018.

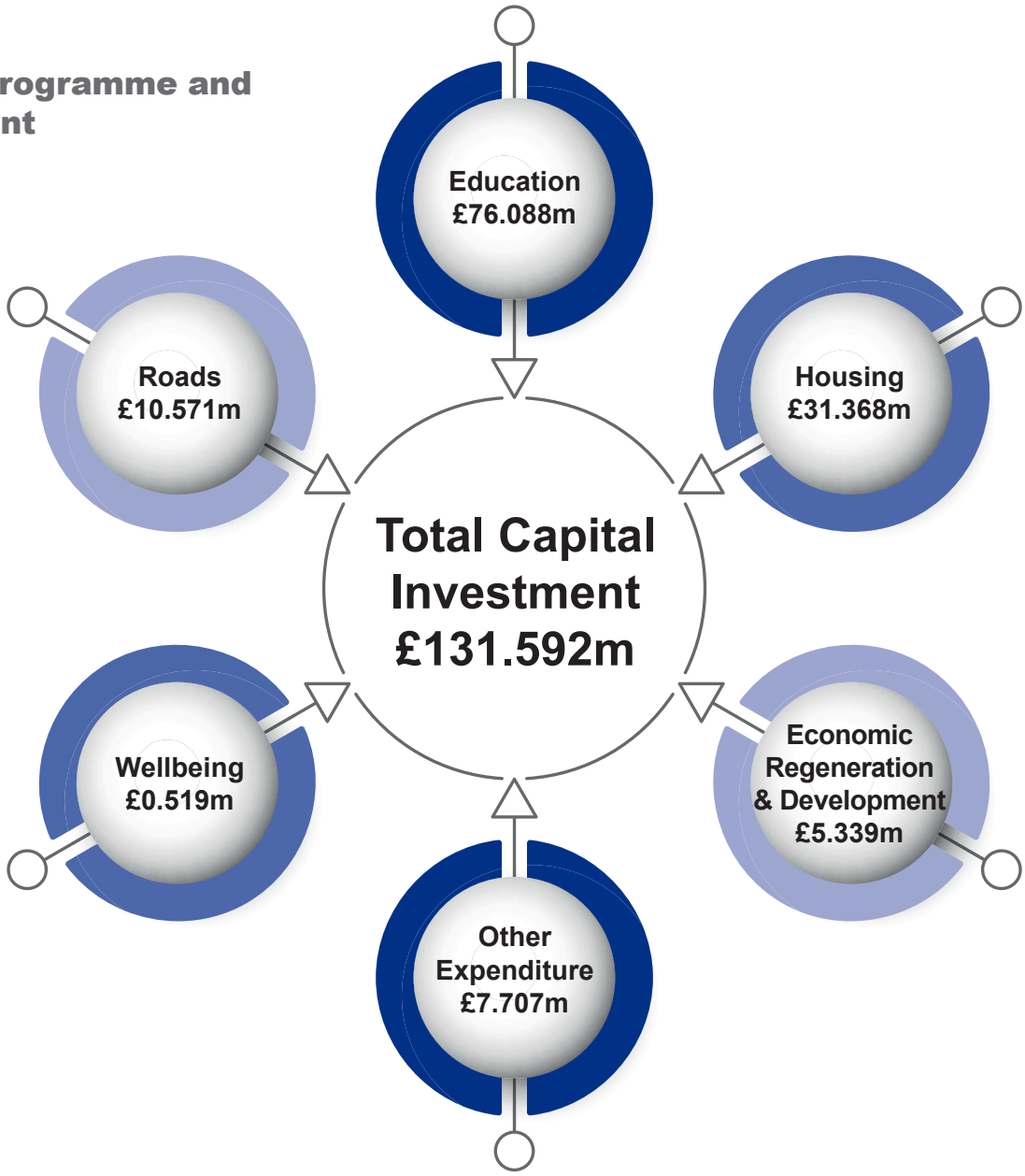
Housing Revenue Account (HRA)

The HRA ended the year with a surplus of £0.911m which has been fully earmarked to meet future years' expenditure. The cumulative balance is shown below with further details of the year end variances provided in our East Ayrshire Performs report.

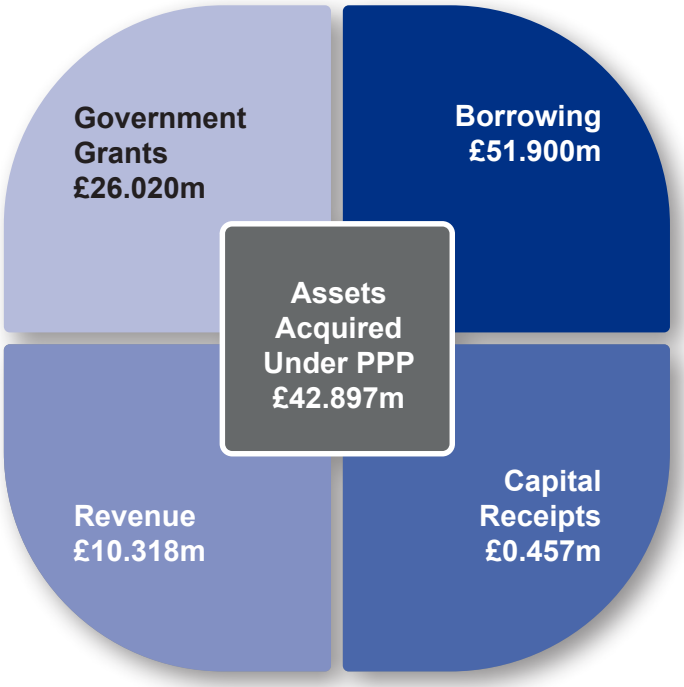
HRA	Balance £m
Balance Brought Forward	13.049
Movement in 2018/19: Balance Added	0.911
Outturn Position 2018/19	13.960

SUMMARY OF FINANCIAL PERFORMANCE

Capital Programme and Investment



Funded by:



During the year the Council's total capital investment was £131.592m with £100.224m spent on General Fund services, developing and creating key assets for communities, including investment in roads, schools and business infrastructure. This was funded by £18.872m from government grants, borrowing of £38.234m and using £0.221m from revenue. Note 7 on page 34 provides information on PPP Assets.

A further £31.368m was spent on the Housing Capital Programme on building, improving and acquiring assets in 2018/19 including the creation of council houses in our town centres, delivering new homes and local regeneration. This capital investment programme was funded by £10.097m from current revenue, borrowing of £13.666m, the utilisation of capital receipts of £0.457m and government grants of £7.148m.

SUMMARY OF FINANCIAL PERFORMANCE

The Barony Campus

The Barony Campus is the biggest capital investment project ever undertaken by East Ayrshire Council with an estimated total cost of approximately £68.000m. Situated on a 19.8 hectare site on the outskirts of Cumnock, the campus consolidates five schools into one campus; delivering state-of-the-art facilities for the towns of Cumnock, Auchinleck and the surrounding villages.

The campus has been designed with reference to the most modern of learning facilities across the UK and Europe incorporating a mix of traditional and innovative learning experiences which exemplifies the Council's ambition to provide the very best educational experience possible. The facilities also include a performance auditorium / drama space with seating for approximately 530, Scotland's first interactive and immersive classroom, a sustainable biomass boiler system, the largest indoor school sports facility in the West of Scotland, two full sized floodlit multi-use synthetic pitches (one at World Rugby standard), a 400m all-weather running track, two full sized grass pitches, a 7 a - side floodlit synthetic pitch and an outdoor basketball court.

Morrison Construction Ltd commenced construction works on-site in May 2018 and are currently progressing to programme, with the facilities anticipated to be open to staff and pupils from August 2020. The company are committed to delivering significant community benefits during the period of works.

SHIP New Build Housing Programme

During 2018 the Council continued its strategic programme of quality new build housing for families within East Ayrshire, with a development of 11 houses at Cassillis Court in Dalrymple successfully handed-over in August 2018.

2018 also saw the start on site of Cessnock Road in Hurlford, which will provide 14 flats for assisted living. Construction works also commenced at Tinto Avenue, Kilmarnock, Carnshalloch Avenue, Patna and David Dale Avenue, Stewarton providing developments of 58, 16 and 32 affordable houses respectively.

All projects are being delivered in partnership with CCG Ltd through the Scottish Procurement Alliance with local communities benefiting through Community Benefits funds generated through this framework delivery model.

The Council's investment in these projects, supported by grant awards for Scottish Government through their More Homes Scotland (MHS) initiative and the Affordable Housing Supply Programme will be:

Cassillis Court	**£2.14million**
Cessnock Road	**£3.64million**
Tinto Avenue	**£13.12million**
Carnshalloch Avenue	**£4.37million**
David Dale Avenue	**£6.99million**

SUMMARY OF FINANCIAL PERFORMANCE

Cumnock Retail Development

During 2018 the Council continued its programme to regenerate Cumnock town centre and promote economic growth, with the construction of speculative retail units through a development partnership with Farmfoods. 590 sqm of flexible retail space was constructed along with a 935 sqm supermarket, new car parking and an extensive public realm all designed in conjunction with the Prince's Foundation. The project commenced in February 2018, following demolition of the former Glaisnock Shopping Centre and was handed over in December 2018. Negotiations are ongoing with prospective tenants.

The Council's investment in this project was £3.200m which builds on the first phase of retail development at Townhead Street where 7 units totalling 736 sqm were constructed and which are now fully occupied.

Early Years Expansion Programme

In March 2017 the Minister for Childcare and Early Years outlined the future policy direction of early learning and childcare (ELC) in Scotland with the expansion plans almost doubling the number of free hours of ELC entitlement from 600 hours to 1140 hours by August 2020. In order to deliver this entitlement across East Ayrshire a number of refurbishments and extensions were required to existing early childhood centres, in addition to the provision of new state-of-the-art early years facilities. Following submission of detailed expansion plan proposals the Council was subsequently awarded a capital grant allocation of £21.610m in May 2018 to fund the improvement works necessary to deliver the expansion of early learning and childcare.

The current programme of works includes approximately 30 projects; incorporating a number of refurbishment and extension to existing properties, landscaping proposals and the provision of new standalone early childhood centres and central food production facilities.

The most significant projects currently being progressed include the construction of a new central food production facility at Rowallan Industrial Estate, Kilmarnock and four new early childhood centres at Kilmaurs, Dunlop, Netherthird and Nether Robertland. The design of the new build early childhood facilities is based on the concept proposals developed by the Council's own Architectural and Asset Planning Team following an invitation from the Scottish Futures Trust (SFT) to assist them with developing a Reference Design for a new early years facility. This design has been published nationally and is being used by other Local Authorities as a reference when developing their own response to the Early Years Expansion Programme.

SUMMARY OF FINANCIAL PERFORMANCE

Ingram Enterprise Centre

Works commenced on the near derelict Grade B listed building at 30 – 38 John Finnie Street in the centre of Kilmarnock in June 2016. The property had been vacant and in a state of disrepair for some time, with significant structural issues internally, and was no longer wind and watertight. With assistance from Historic Environment Scotland the Council funded the ambitious £4.800m project to convert the building into a modern business centre for new and small developing businesses within a fully serviced and supported environment in the heart of Kilmarnock. Occupation of the new facility commenced in January 2018.

The project included restoration of many of the original historic features internally and externally and also introduced a new rear stairwell extension sympathetically designed with white glazed brick to match neighbouring buildings and coloured glass cladding. The historic fabric is complimented by modern, flexible office space with state of the art audio visual technology and high speed internet access.

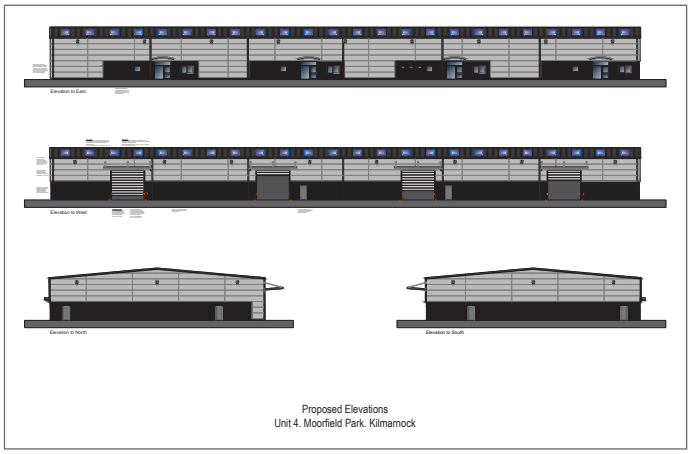
Sir Tom Hunter officially opened the Ingram Enterprise Centre in June 2018, named after the original architect, Robert Ingram, who designed the building in 1895. Following its success plans are being progressed to extend accommodation into the adjoining 1 Dunlop Street/12 Strand Street building.

The Ingram Enterprise Centre was shortlisted for the prestigious RIAS - HES Conservation and Climate Change Award.

Moorfield Industrial Units

In October 2017 work started on Phase 3 of the Council's ambitious economic regeneration initiative at Moorfield Park, Kilmarnock with the construction of two speculative industrial units. The development led from the previous Phase 1 development which created infrastructure and serviced plots for the estate and Phase 2 construction of one unit which was occupied on completion by a local company, Hyspec Engineering.

The two Phase 3 units provided a total of 4,900m² of industrial space with one being occupied immediately upon completion in June 2018 by Scotia Windows & Doors and the other subdivided to accommodate Dingbro and Kilmarnock Powder Coating Services in February 2019. The Council's investment in this project was £4.400m.



The next phase of development is underway with designs being progressed for two further units within Moorfield Park and proposals being developed to expand the estate further recognising the level of demand for such facilities.

SUMMARY OF FINANCIAL PERFORMANCE

The Balance Sheet on page 30 shows that the Council ended the year with a net worth of £300.538m with £945.627m of non-current assets spread across a range of plant, property, equipment and heritage assets and usable reserves of £71.679m.

Treasury Management and Investment

The Council's Treasury Management and Investment Strategy outlines the approach to ensure compliance with legislation and regulation and that the Council has sufficient cash to support service activity and capital investment along with security and liquidity of any investment. The Strategy provides key prudential and treasury indicators over a 10 year period which set out the operational parameters for treasury management and investment and provides assurance on the affordability and sustainability of capital investment plans.

The Strategy is approved on an annual basis with updates being provided to elected members through East Ayrshire Performs reports and to Governance and Scrutiny Committee during the year. The current report, presented to Council on 28 March 2019 is available on our website.

Future Transformation

Our financial plans show that we have an anticipated budget gap of around £30m by 2021/22 but we have achieved our 2018/19 savings and have agreed plans in place to achieve further savings in 2019/20.

Our Transformation Strategy has moved to a second phase and during 2018/19 we saw significant engagement feedback from the residents' panel to inform the development of a digital strategy. Service redesign sessions have identified a range of opportunities including how we plan to improve our customer contact arrangements creating a professional, focussed customer contact service designed around customers and making best use of technology.

During the year Elected Members approved our smarter working arrangements and staff moves have already taken place and will continue as we seek to maximise utilisation of our property estate, support transformation and reduce costs. We also put processes in place to introduce automatic awards for free school meals and clothing grants making sure that those entitled to this support can receive it easily.

In the last year we have made savings as we replaced cash transactions within our offices with digital options to make payments.

As we move forward into 2019/20 we continue to see the impact of our transformation. Our placed based approach to working is expected to produce real benefits for our communities while releasing significant efficiencies and cash savings. Our committee meetings are now paperlite embracing digital technologies and reducing costs and as we continue on our transformation journey we acknowledge the benefits of shared learning with Councils who are also on their own transformation pathway.

Our Workforce Plan will play a key part in our transformation going forward given that we need to reduce costs but also ensure we can recruit to the growth areas in the Council, particularly in early years and homecare. While the need to reduce and also recruit can bring its own challenges, it also provides opportunities as we support those staff who see their careers moving into new areas such as early years, teaching and homecare.

Finally, our latest Best Value report from the Accounts Commission noted our appetite for change and the success we have made of adapting the Council to meet a shifting landscape and it is now clear that significant and sustained change is our constant. We continue to do what we do well.

Risks and Uncertainties

The Council's Executive Management Team (EMT) recognise that risk management and the evaluation of key corporate and strategic risks is an important part of their role. EMT regularly reviews and assesses the corporate risk register which details the high level strategic risks facing the Council.

The register is updated based on the assessment of the overall risks identified by services as those which are viewed as being significant enough to be placed on the register. Details of the key risks include the impact of continued grant funding reductions on the Council and our wider communities, the costs and outcome of equal pay claims, and the risk of fraud. The actions taken to minimise or mitigate corporate risks are regularly reviewed and the Corporate Risk Register is presented to Cabinet and the Council's Governance and Scrutiny Committee as part of East Ayrshire Performs.

SUMMARY OF FINANCIAL PERFORMANCE

Potential risks arising from the UK's withdrawal from the European Union are considered at regular meetings within the Council where Brexit planning assumptions are discussed. The latest update was included in the East Ayrshire Performs report to Cabinet on 21 August 2019.

Our Group

The Council has a material interest in a number of other organisations and is therefore required to produce Group Accounts. Our Group results are shown alongside the Council figures on all the main statements. The impact of their inclusion in the Group Balance Sheet is to increase both the "total assets less liabilities" and "total balances and reserves" by £27.109m representing the Council's share of the net assets in these entities. Further details can be found in Note 36.

Conclusion and Acknowledgement

These Accounts show that the Council ended the year in a healthy financial position which has been maintained against a very challenging economic landscape through prudent and effective use of resources by services, commendably supported by elected members. While we have seen the benefits from a general improvement in the health of the wider economy in the past year, higher inflation has caused significant cost pressures and the increase in demand for Council services shows no sign of reducing. Uncertainty around Brexit and the potential costs that could arise by leaving the European Union, or indeed remaining, have added some further ingredients into the local government finance mix. However we end the year in a good financial position and move ahead to meet the new challenges from a solid financial base upon which to grow and innovate.

We want to acknowledge the significant effort and record our thanks to staff across the Council who contributed to the preparation of these Accounts, led by Corporate Finance to ensure an efficient closure process in compliance with national legislation and guidance within an increasingly tight timescale.

Councillor Douglas Reid
Leader of the Council

24 September 2019

Fiona Lees
Chief Executive

24 September 2019

Alexander McPhee ACMA
Depute Chief Executive and Chief Financial Officer

24 September 2019

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Depute Chief Executive & Chief Financial Officer;

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);

- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved by the Governance and Scrutiny Committee at its meeting on 24 September 2019.

Councillor Douglas Reid
Leader of the Council
24 September 2019

The Chief Financial Officer's Responsibilities

The Depute Chief Executive & Chief Financial 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 the Annual Accounts, the Depute Chief Executive & Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with legislation;

- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Depute Chief Executive & Chief Financial Officer has also:

- Kept adequate accounting records which were up to date;

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the local authority for the year ended 31 March 2019.

Alexander McPhee ACMA
Depute Chief Executive & Chief Financial Officer
24 September 2019

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

East Ayrshire Council is responsible for and fully committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in performance, while maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, equal opportunities and future sustainability. In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements (known as the governance framework) for the governance of the Council's affairs and facilitating the effective exercise of its functions. This includes setting the strategic direction, vision, culture and values of the Council; the effective operation of corporate systems, processes and internal controls; engaging with and leading the community; monitoring whether strategic priorities and outcomes have been achieved; ensuring that services are delivered cost-effectively; maintaining appropriate arrangements for the management of risk; and ensuring that the Council complies with the Statement on the Role of the Chief Financial Officer in Local Government.

To this end, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) 2016 Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish Authorities. The Code, update on our 2018/19 Action Plan and the 2019/20 Action Plan are available at www.east-ayrshire.gov.uk. The Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA/SOLACE. The Code is reviewed and updated on an annual basis, most recently by the Governance and Scrutiny Committee on 25 April 2019.

The Council has also put in place a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve strategic priorities and outcomes but can provide reasonable if not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's strategic priorities and outcomes; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, culture and values, which direct and control the Council's activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic priorities and outcomes set out in the 2015-2030 East Ayrshire Community Plan, which the Council has adopted as its sovereign planning document and to consider whether those priorities and outcomes have led to the delivery of appropriate, cost-effective services. The Governance Framework was further strengthened during the year ended 31 March 2019 and will continue to be reviewed.

The Governance Framework

The East Ayrshire Community Plan 2015-2030 came into effect on 1 April 2015 and is the overarching planning document for the East Ayrshire area. It provides the strategic policy framework for the delivery of public services by all of the Partners and is also the Council's Corporate Plan covering the 15 years from 2015 to 2030. The Community Plan is implemented through three thematic Delivery Plans, namely Economy and Skills, Safer Communities and Wellbeing, along with the day to day work carried out by services across the Council. The first three-year review of the Community Plan and the thematic Delivery Plans was completed in 2017/18 with new three-year Delivery Plans in place from 1 April 2018, covering the period 2018-2021.

The Community Plan is underpinned by the Local Outcomes Improvement Plan which provides a robust performance management framework and demonstrates a sound understanding of place and local circumstances. This understanding has informed development of our local priorities, identified in consultation with our communities, Partners and a wide range of key stakeholders and we remain, as a partnership, committed to resourcing jointly the delivery of improved outcomes to realise our shared vision for East Ayrshire. The Community Plan and associated documentation can be accessed on our website.

The Community Planning Partnership (CPP) Board is supported by robust governance arrangements. A formal joint engagement event between the Council and CPP Board was held on 20 September 2018 to consider the Single Outcome Agreement Annual Performance Report and the Integrated Health and Social Care Partnership Annual Report. Similar arrangements are proposed for 2019/20.

Our Community Planning structures are designed to ensure that people and communities are genuinely engaged in decisions about public services which affect them and, in this regard, we conducted our latest Community Planning Residents' Survey in 2017.

Assurance in respect of the management controls operating within the Council's group entities is provided by the Council's Internal Audit service for the East Ayrshire Leisure Trust and East Ayrshire Integration Joint Board and by external audit assurance provided as part of the audit opinion disclosed within the annual accounts of the external entities Strathclyde Partnership for Transport, Ayrshire Valuation Joint Board and the Strathclyde Concessionary Travel Scheme.

The Council's new Transformation Strategy was approved by Elected Members in February 2018 and is designed to ensure that our services remain financially sustainable in the current economic climate. The Strategy identifies 6 key workstreams and detailed actions in support of these high-level themes are in place with progress reported regularly to Cabinet.

The challenging financial environment in which the Council is currently operating has required an immediate response to deliver the level of efficiencies required. The effective management of the Council's Revenue Budget, within the context of the current financial situation, has been achieved through effective financial stewardship to ensure that the required level of cost reductions were realised across all Council services. The recent Spending Review has resulted in a further reduction in funding available but the Transformation Strategy has proved sufficiently robust to ensure that the Council has been able to set a balanced budget for 2019/20 without the need to change direction.

Policy and decision making is conducted through the Council's decision-making structure, which includes Cabinet and Governance and Scrutiny Committee. Cabinet has responsibility for discharging all council functions except those reserved to the Council and those specifically delegated to other statutory, quasi-judicial committees. The Governance and Scrutiny Committee is fully compliant with Audit Committee principles and undertakes the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities & Police (2013) report by providing an independent and high-level resource to support good governance and strong public financial management within the Council. This includes the satisfaction that the Council's assurance statements are an accurate reflection of the current position, the internal audit function is effective and supported by committee and that risk management arrangements are considered effective.

The Governance and Scrutiny Committee considers the reports and recommendations of external audit and inspection agencies and their implications for governance, and risk management or control, and supports effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourages the active promotion of the value of the audit process and review of the financial statements. The Committee considers the external auditor's opinion and reports to Members, and monitors management action in response to the issues raised by external audit. These arrangements ensure that the Council has processes and procedures in place to ensure that it fulfils its overall purpose, achieves its intended outcomes for service users and operates in an economical, effective, efficient and ethical manner, as prescribed in the CIPFA Audit Committees: Practical Guidance document.

We have continued to enhance and strengthen our internal control environment through updating and introducing new policies and procedures. The Scheme of Delegation sets out the remit of Elected Member Portfolio Holders and the extent of delegations made to Committees and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved.

The Council also has Financial Regulations and Standing Orders relating to contracts in place and all of these procedural documents are regularly reviewed.

The Council's system of internal financial control is based on a framework of regular management information, financial regulations, accounting policy bulletins, 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;
- Measurement of financial and other performance against targets;
- Regular reviews of periodic and annual financial reports, which indicate financial performance against the forecasts and targets;
- Clearly defined capital expenditure guidelines;
- Performance relating to the Leisure Trust, Ayrshire Roads Alliance and Health and Social Care Partnership; and
- Formal project management disciplines, as appropriate.

Cabinet and the Governance and Scrutiny Committee receive regular East Ayrshire Performs reports which include the elements listed above.

The Council's approach to risk management is well embedded with a Corporate Risk Register supported by Departmental Risk Registers and regular reports are provided to the Council Management Team and Elected Members. The Corporate Risk Register is presented periodically to Cabinet and the Governance and Scrutiny Committee as part of the East Ayrshire Performs reporting framework. The Council's business continuity strategy has been cascaded down through the organisation with each department and service holding individual business continuity plans.

We have a Whistleblowing Policy and Codes of Conduct for employees and Elected Members, and high standards of behaviour are supported by employee contracts of employment and annual East Ayrshire General Employee (EAGER) reviews, which identify individual training and development requirements. An Elected Member Learning and Development Strategy is well established and Job Outlines for Elected Members, including Members of the Governance and Scrutiny and Police and Fire and Rescue Committees are in place. Training needs analysis is undertaken annually and individual Development Plans are agreed for all Elected Members. Elected Members induction, training and development arrangements were reviewed in 2016/17 prior to the Local Government Elections in May 2017. The elections for all 9 of the Council's Multi-Member Wards provided elector turnout of 44.9% and changed the political composition of the Council. A minority SNP Administration is now in place.

Consensus working across political groups is supported by the Council's Sounding Board, established as part of the Council's decision-making structures to provide a forum for collective consideration and scrutiny of cross-cutting issues by Group Leaders prior to presentation to Cabinet and/or Council.

Service Improvement Plans for Council Services are in place. Annual progress updates on the Action Plans are presented to Cabinet. New three-year Service Improvement Plans, developed in 2018/19, reflect the updated Community Plan, Local Outcome Improvement Plan and the Council's new Transformation Strategy. These provide the link between service priorities and the Transformation Strategy, Community Plan and our shared strategic priorities and outcomes; link service performance with financial and other resources and play a pivotal role in identifying and delivering service improvements and efficiency.

The Council has seen an increasing frequency and intensity of incidents and disruption caused, for example, by severe weather and has also seen the increased prominence of the potential risk associated with the UK exit from the European Union, the continuing heightened threat level relating to terrorism and the focus on organised crime, fraud and cyber security. These developments have required the Council to

put in place a robust Resilience Framework supported by effective governance and structural arrangements that reflect the changing context within which the Council and its partners operate to manage and respond to these key issues.

The Council monitors performance using an Electronic Performance Management System (EPMS), which is populated with a wide range of performance indicators agreed following a comprehensive review of performance indicators across all services. These indicators inform Chief Officers Performance Scorecards all of which are updated with real time period performance information and reported and monitored using EPMS. In 2017, the Council moved to a new Performance Management Platform (Pentana Risk), thereby improving functionality and accessibility of performance and management information and making it easier to share performance information within the CPP.

We have embedded a strong process of self-assessment and our comprehensive approach to self-evaluation comprises Council-wide Strategic Self-Assessment of performance undertaken by the Council Management Team supported by an external critical friend, the aim of which is to ensure that we continue to remain well placed to respond to and meet the requirements of Best Value. Our fourth Strategic Self-Assessment was completed early in 2016/17 with the related Improvement Plan approved by Cabinet on 22 June 2016. A final progress update against the Improvement Plan was presented to Cabinet and the Governance and Scrutiny Committee in June 2018.

An Employee Attitude Survey was concluded in 2017 with the findings reported to Cabinet in January 2018. Improvement Actions are now being developed by Services to respond to the issues raised.

Statutory Roles

Our procedural documentation details the decision making structure which includes the Scheme of Delegation; Standing Orders; Standing Orders relating to contracts; Contract Procurement Protocol; Financial Regulations; Local Government Access to Information Registers; Departmental Service Descriptions; Officer delegated responsibility; and the role of Elected Member portfolio holders. The Council's Scheme of Delegation designates the Chief Executive as the Council's Head of Paid Service in terms of the Local Government and Housing Act 1989. This requires the post holder to carry out the specified duties associated with this statutory role, including responsibility, where it is appropriate, for setting out proposals and reporting to Council, in relation to the undernoted matters:

- The manner in which the discharge by the authority of their different functions is co-ordinated;
- The number and grades of staff required by the authority for the discharge of their functions;
- The organisation of the authority's staff; and
- The appointment and proper management of the authority's staff.

The Chief Governance Officer and Solicitor to the Council acts as Monitoring Officer and ensures that the Council acts within legal and statutory requirements.

The Depute Chief Executive and Chief Financial Officer (Economy and Skills) is the proper officer of the Council with statutory responsibility for the administration of its financial affairs for the purposes of Section 95 of the Local Government (Scotland) Act 1973 and is a member of the Executive Management Team. This reflects best practice identified by Audit Scotland. Officer responsibilities are reflected in the job description for the Depute Chief Executive and Chief Financial Officer (Economy and Skills) and the Council's Financial Regulations, which confirm that the Depute Chief Executive and Chief Financial Officer (Economy and Skills) shall be responsible for the administration of the financial affairs of the Council and shall act as a financial adviser to the Council, Cabinet and all Committees.

The Council's Scheme of Delegation designates the Head of Children's Health, Care and Justice Services as Chief Social Work Officer in terms of the Social Work (Scotland) Act 1968 and requires the post holder to carry out the specified duties associated with this statutory role by ensuring the provision of effective, professional advice to Elected Members and officers in relation to the provision of social work services.

As part of the Council response to the legislative changes brought about by the Public Bodies (Joint Working) (Scotland) Act 2014, the management of Social Work Services were transferred to the Integration Joint Board with effect from 1 April 2015.

The Local Authority Accounts (Scotland) 2014 Regulations came into force on 10 October 2014 and require us to operate a professional and objective internal auditing service. The long standing internal audit arrangements within the Council fulfil this obligation. The internal audit service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards (PSIAS).

Review of Effectiveness

During 2018/19 we continued to put in place appropriate management and reporting arrangements to enable us to be satisfied that our approach to corporate governance is appropriate and effective in practice. Specifically, our governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this review process is co-ordinated corporately and approved by the Executive Management Team, Chief Officers have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, each Chief Officer is required to make an annual statement confirming that this is the case.

The Council was the subject of detailed audit work under Audit Scotland's new framework for auditing Best Value over December 2017 and January 2018. This audit activity, which was carried out jointly between Audit Scotland and the Council's external auditors, Deloitte LLP, culminated in the production and publication of the Council's Best Value Assurance Report (BVAR) in May 2018.

The BVAR was reported to Council on 28 June 2018. We received an excellent inspection report, providing strong independent validation of our efforts to continue to deliver best value services for the communities we serve. Key findings from the report included that:

- We have strong leadership and a clear vision for what we want to achieve. Councillors and staff support this vision;
- Performance has improved compared with other councils and we continue to address challenges in planning and employment;
- We have effective financial planning arrangements in place and are developing a strategy to tackle the funding gap we face over the next 5 years;
- We continue to work well with our partners;
- We are fully committed to empowering residents, helping them develop the skills and confidence to deal with local priorities;
- We have a long established culture of self-assessment and improvement and look beyond our boundaries to improve.

The report also recognises our strengths in community planning and partnership working and commends the work being done with local communities, to make them more sustainable in the long-term.

The report contained five recommendations relating to the support and delivery anticipated to be achieved as part of the Council's Transformation Strategy. In addition the report proposed further action in developing a Council-wide Workforce Plan. The BVAR recognised the strong relationship that exists between the Council, IJB and NHS Ayrshire and Arran and sought to further build upon this relationship in order to facilitate the shift in the balance of care as well as adopting the Council's front-door social care delivery model into other parts of the Council. Finally the report recommended that the Council build upon the CPP delivery plan by introducing a Council wide plan for working with the business sector.

Progress against our Improvement Plan which sets out our proposed actions intended to implement the Accounts Commission's recommendations was reported in June 2019.

The Internal Audit function within East Ayrshire Council is directly responsible to the Chief Executive for the independent appraisal of the Council's systems of internal control, governance and risk management. During 2018/19 the Internal Audit section operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced on 1 April 2013.

Internal Audit's annual Quality Assurance and Improvement Programme (QAIP), as required by the PSIAS, was reported to Governance and Scrutiny Committee on 25 April 2019 with no significant issues arising.

Individual internal audit assignments can result in sound assurance. The Internal Audit annual opinion is based on a programme of selective testing so it can never be absolute. The most that Internal Audit can provide in their annual opinion is reasonable assurance on the Council's systems of internal control using a risk-based programme of work.

During 2018/19, Internal Audit opinions for completed individual assignments ranged from reasonable through to sound assurance, with a number of assignments currently being completed. On the basis of selective testing of key controls, it can be concluded that, in the main, controls were generally operating as expected during the period under review. A number of recommendations have been made by Internal Audit to further improve controls through action plans developed with management to address improvements. Internal Audit has also undertaken a small number of investigations resulting in improvement actions being agreed with management. Controls issues identified during these investigations are not deemed to significantly impact on the overall annual assurance for the Council. Internal Audit's overall opinion, based on the work carried out, and in line with PSIAS requirements, continues to be that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2019. The objectives of internal control have been substantially met. Internal Audit's Annual Report for 2018/19 was reported to the Council's Governance and Scrutiny Committee on 25 April 2019.

Improvements Proposed

The system of governance (including the system of internal control) provides reasonable assurance that assets are safeguarded; that transactions are authorised and properly recorded; that material errors or irregularities are either prevented or would be detected within a timely period; and that significant risks impacting on the achievement of our strategic priorities and outcomes have been mitigated. The review carried out in 2018/19 highlighted improvements that could be implemented in some areas and these are contained within the Corporate Governance Improvement Plan for 2018/19.

Conclusion

We consider the governance and internal control environment operating during 2018/19 to provide reasonable and objective assurance that significant risks impacting on the achievement of our principal strategic priorities and outcomes will be identified and actions taken to avoid or mitigate their impact. A number of improvements are proposed to further strengthen our governance arrangements and these are set out in the improvement action plan 2019/20. Implementing the action plan is a priority and progress will be reported to the Governance and Scrutiny Committee.

Systems are in place for regular review and improvement of the governance and internal control environment. We will continue to review corporate governance arrangements and take any additional steps required to further enhance these arrangements and will review their implementation and operation as part of the next annual review.

Councillor Douglas Reid
Leader of the Council
24 September 2019

Fiona Lees
Chief Executive
24 September 2019

EXPENDITURE & FUNDING ANALYSIS

The EFA shows how funding available to the Council from government grants, rents, council tax and business rates for the year has been used in providing services in comparison with those resources consumed by the Council in accordance with generally accepted accounting practices, with expenditure allocated for decision making purposes between Council services. The CIES on page 29 presents income and expenditure under generally accepted accounting practices.

2017/18 EAC				2018/19 EAC		
Net Expenditure chargeable to the General Fund & HRA Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES		Net Expenditure chargeable to the General Fund & HRA Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES
£m	£m	£m		£m	£m	£m
			Operating		*see EFA Note*	
86.023	41.780	127.803	Education	90.356	16.621	106.977
7.586	2.065	9.651	Finance and ICT	7.818	2.376	10.194
6.684	7.375	14.059	Planning and Economic Development	4.198	8.267	12.465
1.695	0.220	1.915	Economy and Skills Other Segments	1.685	0.254	1.939
16.150	3.503	19.653	Housing and Communities	15.867	5.319	21.186
6.975	7.158	14.133	Ayrshire Roads Alliance	7.646	8.373	16.019
24.858	0.193	25.051	Facilities and Property Management	26.329	(5.690)	20.639
1.892	0.273	2.165	Human Resources	1.846	0.299	2.145
8.889	(0.003)	8.886	Transport (incl SPT)	9.433	0.045	9.478
5.130	3.144	8.274	Arms Length Organisations	4.883	2.962	7.845
0.722	0.069	0.791	Safer Communities Other Segments	0.734	0.108	0.842
(3.871)	5.327	1.456	Social Work: Provision of Services	(4.059)	6.451	2.392
76.776	-	76.776	Contribution to the IJB	77.809	-	77.809
2.947	0.610	3.557	Governance	2.765	0.679	3.444
0.586	0.072	0.658	Chief Executive Office (incl Internal Audit)	0.629	0.078	0.707
6.213	(1.836)	4.377	Central Services	6.094	11.676	17.770
(4.471)	-	(4.471)	Projects	1.526	-	1.526
(0.650)	4.434	3.784	Housing Revenue Account	(0.911)	20.807	19.896
244.134	74.384	318.518	**Net Cost Of Services**	254.648	78.625	333.273
(247.841)	(7.479)	(255.320)	Other Income and Expenditure	(253.132)	(13.798)	(266.930)
(3.707)	**66.905**	**63.198**	**Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES**	**1.516**	**64.827**	**66.343**

		General Fund	HRA	Total
49.367	Opening Combined General Fund and HRA Balances	39.835	13.049	52.884
3.707	Surplus or Deficit on the General Fund and HRA Balances for the Year	(2.427)	0.911	(1.516)
(0.190)	Transfers to/ from Other Reserves	(0.789)	-	(0.789)
52.884	**Closing Combined General Fund and HRA Balances**	**36.619**	**13.960**	**50.579**

NOTE TO THE EFA

2017/18 EAC				Adjustments between Funding and Accounting Basis	2018/19 EAC			
Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis		Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis
£m	£m	£m	£m		£m	£m	£m	£m
39.262	2.599	(0.081)	41.780	Education	12.396	3.362	0.863	16.621
1.034	1.040	(0.009)	2.065	Finance and ICT	1.111	1.257	0.008	2.376
6.675	0.729	(0.029)	7.375	Planning and Economic Development	7.451	0.791	0.025	8.267
-	0.220	-	0.220	Economy and Skills Other Segments	-	0.254	-	0.254
2.131	1.410	(0.038)	3.503	Housing and Communities	3.727	1.558	0.034	5.319
6.196	0.997	(0.035)	7.158	Ayrshire Roads Alliance	7.247	1.095	0.031	8.373
(1.191)	1.385	(0.001)	0.193	Facilities and Property Management	(7.279)	1.588	0.001	(5.690)
0.004	0.269	-	0.273	Human Resources	0.004	0.295	-	0.299
(0.126)	0.123	-	(0.003)	Transport (incl SPT)	(0.108)	0.153	-	0.045
3.144	-	-	3.144	Arms Length Organisations	2.962	-	-	2.962
(0.001)	0.080	(0.010)	0.069	Safer Communities Other Segments	-	0.100	0.008	0.108
0.672	4.831	(0.176)	5.327	Social Work: Provision of Services	0.663	5.629	0.159	6.451
-	-	-	-	Contribution to the IJB	-	-	-	-
0.053	0.562	(0.005)	0.610	Governance	0.056	0.619	0.004	0.679
-	0.072	-	0.072	Chief Executive Office (incl Internal Audit)	-	0.078	-	0.078
(0.016)	(2.438)	0.618	(1.836)	Central Services	(0.001)	9.752	1.925	11.676
-	-	-	-	Projects	-	-	-	-
3.525	1.580	(0.671)	4.434	Housing Revenue Account	19.562	3.121	(1.876)	20.807
61.362	13.459	(0.437)	74.384	**Net Cost Of Services**	47.791	29.652	1.182	78.625
(13.491)	6.467	(0.455)	(7.479)	Other Income and Expenditure	(13.343)	0.001	(0.456)	(13.798)
47.871	**19.926**	**(0.892)**	**66.905**	**Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES**	**34.448**	**29.653**	**0.726**	**64.827**

MOVEMENT IN RESERVES STATEMENT

The MiRS shows the movement in reserves analysed into Usable and Unusable. It shows in-year movements broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year with the 'Net Increase/Decrease' line showing statutory General Fund Balance and HRA Balance movements in the year following those adjustments.

2018/19	Note	Usable Reserves					Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Grants Unapplied	Capital Fund		Unrealised Gains/ Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2018		**39.835**	**13.049**	**3.898**	**0.058**	**12.262**	**69.102**	**355.895**	**52.811**	**477.808**	**7.501**	**20.191**	**505.500**
Surplus/ (Deficit) on the Provision of Services	CIES	(42.989)	(26.740)	-	-	-	**(69.729)**	**-**	**-**	**(69.729)**	0.642	-	**(69.087)**
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	**-**	**(53.871)**	**(53.670)**	**(107.541)**	-	(1.225)	**(108.766)**
Total Comprehensive Income and Expenditure		**(42.989)**	**(26.740)**	**-**	**-**	**-**	**(69.729)**	**(53.871)**	**(53.670)**	**(177.270)**	**0.642**	**(1.225)**	**(177.853)**
Adjustments between Accounting Basis and Funding Basis Under Statute													
Current and Past Service Pension Costs in Cost of Services	9	45.384	4.835	-	-	-	**50.219**	**-**	**(50.219)**	**-**	-	-	**-**
Net Interest on Net Defined Pension Liability	9	3.060	0.326	-	-	-	**3.386**	**-**	**(3.386)**	**-**	-	-	**-**
Employers Contributions to Pensions Fund	9	(18.852)	(1.714)	-	-	-	**(20.566)**	**-**	**20.566**	**-**	-	-	**-**
Adjustments Relating to Pensions		**29.592**	**3.447**	**-**	**-**	**-**	**33.039**	**-**	**(33.039)**	**-**	**-**	**-**	**-**
Depreciation of Non Current Assets	15	24.234	16.802	-	-	-	**41.036**	**(13.748)**	**(27.288)**	**-**	0.273	(0.273)	**-**
Impairment of Non Current Assets	13	14.806	19.767	-	-	-	**34.573**	**-**	**(34.573)**	**-**	-	-	**-**
Amortisation of Intangible Assets	16	0.108	0.002	-	-	-	**0.110**	**-**	**(0.110)**	**-**	-	-	**-**
Capital Grants and Contributions Applied	6	(18.872)	(7.148)	-	-	-	**(26.020)**	**-**	**26.020**	**-**	-	-	**-**
Capital Grants and Contributions Unapplied		-	-	-	3.455	-	**3.455**	**-**	**(3.455)**	**-**	-	-	**-**
Repayment of Debt	11	(9.870)	(2.702)	-	-	-	**(12.572)**	**-**	**12.572**	**-**	-	-	**-**
Capital Expenditure Funded in Year	11	(0.221)	(10.097)	-	-	-	**(10.318)**	**-**	**10.318**	**-**	-	-	**-**
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(0.457)	**(0.457)**	**-**	**0.457**	**-**	-	-	**-**
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.018)	7.657	-	-	1.095	**8.734**	**-**	**(8.734)**	**-**	-	-	**-**
Adjustments Relating to Capital		**10.167**	**24.281**	**-**	**3.455**	**0.638**	**38.541**	**(13.748)**	**(24.793)**	**-**	**0.273**	**(0.273)**	**-**
Differences relating to Officer Remuneration required by statute		1.133	0.049	-	-	-	**1.182**	**-**	**(1.182)**	**-**	-	-	**-**
Differences relating to Financial Instruments required by statute	26	(0.330)	(0.126)	-	-	-	**(0.456)**	**-**	**0.456**	**-**	-	-	**-**
Adjustments for Other Items		**0.803**	**(0.077)**	**-**	**-**	**-**	**0.726**	**-**	**(0.726)**	**-**	**-**	**-**	**-**
Increase/ (Decrease) before Transfers		**(2.427)**	**0.911**	**-**	**3.455**	**0.638**	**2.577**	**(67.619)**	**(112.228)**	**(177.270)**	**0.915**	**(1.498)**	**(177.853)**
Transfers to/ from Capital Fund		(1.250)	-	-	-	1.250	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers to/ from Other Statutory Reserves		0.529	-	(0.529)	-	-	**-**	**-**	**-**	**-**	**(2.042)**	**2.042**	**-**
Interest on Revenue Balances		(0.068)	-	0.017	-	0.051	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/ (Decrease) in 2018/19		**(3.216)**	**0.911**	**(0.512)**	**3.455**	**1.939**	**2.577**	**(67.619)**	**(112.228)**	**(177.270)**	**(1.127)**	**0.544**	**(177.853)**
Balance as at 31 March 2019		**36.619**	**13.960**	**3.386**	**3.513**	**14.201**	**71.679**	**288.276**	**(59.417)**	**300.538**	**6.374**	**20.735**	**327.647**

MOVEMENT IN RESERVES STATEMENT

2017/18	Note	Usable Reserves					Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Grants Unapplied	Capital Fund		Unrealised Gains/ Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2017		**36.968**	**12.399**	**3.755**	**0.065**	**11.227**	**64.414**	**337.201**	**(55.626)**	**345.989**	**3.864**	**14.084**	**363.937**
Surplus/ (Deficit) on the Provision of Services	CIES	(55.094)	(8.104)	-	-	-	**(63.198)**	**-**	**-**	**(63.198)**	4.190	-	**(59.008)**
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	**-**	**32.661**	**162.356**	**195.017**	-	5.554	**200.571**
Total Comprehensive Income and Expenditure		**(55.094)**	**(8.104)**	**-**	**-**	**-**	**(63.198)**	**32.661**	**162.356**	**131.819**	**4.190**	**5.554**	**141.563**
Adjustments between Accounting Basis and Funding Basis Under Statute													
Current and Past Service Pension Costs in Cost of Services	9	29.113	3.153	-	-	-	**32.266**	**-**	**(32.266)**	**-**	-	-	**-**
Net Interest on Net Defined Pension Liability	9	5.836	0.631				**6.467**		**(6.467)**				
Employers Contributions to Pensions Fund	9	(17.234)	(1.573)	-	-	-	**(18.807)**	**-**	**18.807**	**-**	-	-	**-**
Adjustments Relating to Pensions		**17.715**	**2.211**	**-**	**-**	**-**	**19.926**	**-**	**(19.926)**	**-**	**-**	**-**	**-**
Depreciation of Non Current Assets	15	22.352	19.650	-	-	-	**42.002**	**(13.967)**	**(28.035)**	**-**	0.277	(0.277)	**-**
Impairment of Non Current Assets	15	43.088	2.703	-	-	-	**45.791**	**-**	(45.791)	**-**	-	-	**-**
Amortisation of Intangible Assets	16	0.030	0.002	-	-	-	**0.032**	**-**	**(0.032)**	**-**	-	-	**-**
Capital Grants and Contributions Applied	6	(12.745)	(1.997)	-	-	-	**(14.742)**	**-**	**14.742**	**-**	-	-	**-**
Capital Grants and Contributions Unapplied		-	-	-	(0.007)	-	**(0.007)**	**-**	**0.007**	**-**	-	-	**-**
Repayment of Debt	11	(10.531)	(2.520)	-	-	-	**(13.051)**	**-**	**13.051**	**-**	-	-	**-**
Capital Expenditure Funded in Year	11	(0.555)	(11.778)	-	-	-	**(12.333)**	**-**	**12.333**	**-**	-	-	**-**
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(2.182)	**(2.182)**	**-**	**2.182**	**-**	-	-	**-**
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.495)	0.667	-	-	3.170	**3.342**	**-**	**(3.342)**	**-**	-	-	**-**
Adjustments Relating to Capital		**41.144**	**6.727**	**-**	**(0.007)**	**0.988**	**48.852**	**(13.967)**	**(34.885)**	**-**	**0.277**	**(0.277)**	**-**
Differences relating to Officer Remuneration required by statute		(0.384)	(0.053)	-	-	-	**(0.437)**	**-**	**0.437**	**-**	-	-	**-**
Differences relating to Financial Instruments required by statute	26	(0.324)	(0.131)	-	-	-	**(0.455)**	**-**	**0.455**	**-**	-	-	**-**
Adjustments for Other Items		**(0.708)**	**(0.184)**	**-**	**-**	**-**	**(0.892)**	**-**	**0.892**	**-**	**-**	**-**	**-**
Increase/ (Decrease) before Transfers		**3.057**	**0.650**	**-**	**(0.007)**	**0.988**	**4.688**	**18.694**	**108.437**	**131.819**	**4.467**	**5.277**	**141.563**
Transfers to/ from Capital Fund		-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers to/ from Other Statutory Reserves		(0.127)	-	0.127	-	-	**-**	**-**	**-**	**-**	**(0.830)**	**0.830**	**-**
Interest on Revenue Balances		(0.063)	-	0.016	-	0.047	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/ (Decrease) in 2017/18		**2.867**	**0.650**	**0.143**	**(0.007)**	**1.035**	**4.688**	**18.694**	**108.437**	**131.819**	**3.637**	**6.107**	**141.563**
Balance at 31 March 2018		**39.835**	**13.049**	**3.898**	**0.058**	**12.262**	**69.102**	**355.895**	**52.811**	**477.808**	**7.501**	**20.191**	**505.500**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The CIES shows the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). The Council raises taxation (and rents) to cover expenditure in accordance with statutory requirements and this may be different from the accounting cost. The taxation position is shown in both the EFA and the MiRS.

2017/18					2018/19			
EAC			Group		EAC			Group
£m Exp	£m Income	£m Net	£m Net	Operating	£m Exp	£m Income	£m Net	£m Net
136.694	(8.891)	127.803	127.803	Education	118.559	(11.582)	106.977	106.977
11.067	(1.416)	9.651	9.651	Finance and ICT	11.597	(1.403)	10.194	10.194
17.373	(3.314)	14.059	14.059	Planning and Economic Development	16.595	(4.130)	12.465	12.465
1.930	(0.015)	1.915	1.915	Economy and Skills Other Segments	1.939	-	1.939	1.939
28.058	(8.405)	19.653	19.653	Housing and Communities	26.769	(5.583)	21.186	21.186
28.097	(13.964)	14.133	14.133	Ayrshire Roads Alliance	28.386	(12.367)	16.019	16.019
34.472	(9.421)	25.051	25.051	Facilities and Property Management	30.472	(9.833)	20.639	20.639
2.258	(0.093)	2.165	2.165	Human Resources	2.222	(0.077)	2.145	2.145
9.098	(0.212)	8.886	8.886	Transport (incl SPT)	9.793	(0.315)	9.478	9.478
8.535	(0.261)	8.274	8.274	Arms Length Organisations	7.896	(0.051)	7.845	7.845
0.796	(0.005)	0.791	1.068	Safer Communities Other Segments	0.847	(0.005)	0.842	1.115
107.686	(106.230)	1.456	1.456	Social Work: Provision of Services	109.512	(107.120)	2.392	2.392
76.776	-	76.776	76.776	Contribution to the IJB	77.809	-	77.809	77.809
4.991	(1.434)	3.557	3.557	Governance	4.878	(1.434)	3.444	3.444
0.665	(0.007)	0.658	0.658	Chief Executive Office (incl Internal Audit)	0.713	(0.006)	0.707	0.707
46.294	(41.917)	4.377	4.377	Central Services	52.588	(34.818)	17.770	17.770
10.285	(14.756)	(4.471)	(4.471)	Projects	4.501	(2.975)	1.526	1.526
48.657	(44.873)	3.784	3.784	Housing Revenue Account	64.727	(44.831)	19.896	19.896
573.732	**(255.214)**	**318.518**	**318.795**	**Net Cost Of Services**	**569.803**	**(236.530)**	**333.273**	**333.546**
		0.171	0.171	(Gain)/ Losses on Disposals of Assets			7.639	7.639
		318.689	318.966	**Net Operating Expenditure**			340.912	341.185
		(45.992)	(45.992)	Income from Council Tax			(48.003)	(48.003)
		(190.949)	(190.949)	Government Grants (not service specific)			(195.355)	(195.355)
		(29.367)	(29.367)	Distribution from NDR Pool			(26.073)	(26.073)
		(14.742)	(14.742)	Capital Grants & Contributions		*Note 6*	(26.020)	(26.020)
		(281.050)	(281.050)	**Taxation & Non Specific Grant Income**			(295.451)	(295.451)
		37.639	**37.916**	**Net Operating Costs**			**45.461**	**45.734**
				Financing and Investment Income and Expenditure				
		6.467	6.467	Net Interest on Net Defined Pension Liability		*Note 9*	3.386	3.386
		-	(4.465)	Share of (Surplus)/ Deficit on Provision of Services of Associates & Joint Ventures			-	(0.913)
		(0.456)	(0.458)	Interest and Investment Income		*Note 26*	(0.563)	(0.565)
		19.548	19.548	Interest Payable and Similar Charges			21.445	21.445
		63.198	**59.008**	**(Surplus)/ Deficit on the Provision of Services**			**69.729**	**69.087**
		(32.664)	(32.675)	(Surplus)/ Deficit on Revaluation of Non Current Assets			53.871	53.898
		0.003	0.003	(Surplus)/ Deficit on Revaluation of Available for Sale Financial Assets		*Note 26*	-	-
		(162.356)	(162.356)	Remeasurement of the Net Defined Pension Benefit Liability (Asset)		*Note 9*	53.670	53.670
		-	(5.543)	Share of Other Comprehensive (Income)/ Expenditure of Associates & Joint Ventures			-	1.198
		(131.819)	**(141.563)**	**Total Comprehensive (Income)/ Expenditure**			**177.270**	**177.853**

BALANCE SHEET

This statement is a snapshot of the value at the reporting date of the assets and liabilities held by the Council. Net assets are matched by reserves which are reported as Usable (those 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 Unusable (the Council cannot use these to provide services).

31 March 2018				31 March 2019	
EAC	Group			EAC	Group
£m	£m			£m	£m
886.473	895.126	Property, Plant & Equipment	*Note 15*	879.593	887.946
65.256	65.256	Heritage Assets	*Note 19*	65.256	65.256
0.084	0.084	Intangible Assets	*Note 16*	0.366	0.366
-	18.660	Investments in Associates and Joint Ventures	*Note 36*	-	18.937
0.016	0.016	Non Current Receivables (Long Term Investments)	*Note 26*	0.412	0.412
951.829	**979.142**	**Non Current Assets**		**945.627**	**972.917**
12.508	12.887	Short Term Investments	*Note 26*	9.010	9.391
1.518	1.518	Inventories	*Note 20*	1.545	1.545
33.193	33.193	Debtors	*Note 21*	26.513	26.513
0.336	0.336	Assets Held for Sale	*Note 18*	0.201	0.201
25.866	25.866	Cash and Cash Equivalents	*Note 23*	14.184	14.184
0.319	0.319	Current Intangible Assets	*Note 16*	0.243	0.243
73.740	**74.119**	**Current Assets**		**51.696**	**52.077**
(16.630)	(16.630)	Short Term Borrowing		(38.093)	(38.093)
(55.050)	(55.050)	Creditors (Including Provisions and Grants Receipts in Advance)	*Note 22*	(65.685)	(65.685)
(71.680)	**(71.680)**	**Current Liabilities**		**(103.778)**	**(103.778)**
(117.553)	(117.553)	Pension Liabilities	*Note 9*	(204.262)	(204.262)
(56.389)	(56.389)	Deferred Liabilities	*Note 26*	(95.308)	(95.308)
(302.139)	(302.139)	Long Term Borrowing	*Note 26*	(293.437)	(293.437)
-	-	Liabilities in Associates and Joint Ventures	*Note 36*	-	(0.562)
(476.081)	**(476.081)**	**Non Current Liabilities**		**(593.007)**	**(593.569)**
477.808	**505.500**	**Net Assets**		**300.538**	**327.647**
69.102	69.102	Usable Reserves (Available to Fund Services)	*MiRS*	71.679	71.679
-	7.501	Share of Usable Reserves of Associates and Joint Ventures		-	6.374
52.811	52.811	Unusable Statutory Adjustments Accounts	*Note 29*	(59.417)	(59.417)
355.895	355.895	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	*Note 29*	288.276	288.276
-	20.191	Share of Unusable Reserves of Associates and Joint Ventures		-	20.735
477.808	**505.500**	**Net Reserves**		**300.538**	**327.647**

Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 27 June 2019 and the audited accounts were authorised for issue on 24 September 2019.

Alexander McPhee ACMA
Depute Chief Executive & Chief Financial Officer
24 September 2019

CASH FLOW STATEMENT

This statement shows the changes in cash and cash equivalents by operating, investing and financing activities. Net cash flows from operating activities is a key indicator of the extent to which operations are funded by taxation, grants or charges for services. Investing activities represent the extent to which cash outflows have been made for resources intended to contribute to future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

2017/18					2018/19	
EAC	Group				EAC	Group
£m	£m				£m	£m
63.198	**59.008**	**(Surplus)/ Deficit on the Provision of Services**			**69.729**	**69.087**
-	4.465	Surplus/ (Deficit) attributable to Associates and Joint Ventures			-	0.913
63.198	**63.473**	**(Surplus)/ Deficit on the Provision of Services**			**69.729**	**70.000**
		Non Cash Items in the Comprehensive Income and Expenditure Statement				
(87.826)	(88.103)	Depreciation and Impairment			(75.719)	(75.992)
(3.341)	(3.341)	Carrying Amount of Non Current Assets Sold		*Note 15*	(8.734)	(8.734)
(19.926)	(19.926)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations		*Note 9*	(33.039)	(33.039)
0.003	0.003	Available for Sale Financial Instruments - Fair Value Adjustment			-	-
0.018	0.018	EIR Stepped Loan Adjustment			0.019	0.019
(111.072)	**(111.349)**				**(117.473)**	**(117.746)**
		Changes in Working Capital				
(1.694)	(1.694)	Increase/ (Decrease) in Stock and Work in Progress		*Note 20*	0.027	0.027
(43.132)	(43.132)	Increase/ (Decrease) in Debtors			(8.250)	(8.250)
2.940	2.940	(Increase)/ Decrease in Creditors			(12.187)	(12.187)
(41.886)	**(41.886)**				**(20.410)**	**(20.410)**
		Adjustments for Items which are included in the net surplus or deficit on the provision of services that are investing or financing activities				
49.863	49.861	Net (Increase)/ Decrease in Short Term Deposits			3.099	3.097
14.742	14.742	Capital Grants Received			26.020	26.020
3.169	3.169	Sale of Non Current Assets			1.095	1.095
67.774	**67.772**				**30.214**	**30.212**
(21.986)	**(21.990)**	**Net Cash Outflow/ (Inflow) from Operating Activities**			**(37.940)**	**(37.944)**
		Investing Activities				
61.395	61.395	**Cash Outflows:**	Purchase of Non Current Assets	*Note 11*	131.592	131.592
-	0.002		Increase in Short Term Deposits		-	0.002
61.395	**61.397**				**131.592**	**131.594**
(3.169)	(3.169)	**Cash Inflows:**	Sale of Non Current Assets	*Note 5*	(1.095)	(1.095)
(49.863)	(49.863)		Decrease in Short Term Deposits		(3.099)	(3.099)
(14.742)	(14.742)		Capital Grants Received	*Note 6*	(26.020)	(26.020)
(67.774)	**(67.774)**				**(30.214)**	**(30.214)**
(6.379)	**(6.377)**	**Net Cash Outflow/ (Inflow) from Investing Activities**			**101.378**	**101.380**
		Financing				
10.992	10.992	**Cash Outflows:**	Repayments of Amounts Borrowed		-	-
1.484	1.484		Capital Element of Finance Lease Rental Payments		2.701	2.701
-	-	**Cash Inflows:**	New Loans Raised		(54.457)	(54.457)
12.476	**12.476**	**Net Cash Outflow/ (Inflow) from Financing Activities**			**(51.756)**	**(51.756)**
(15.889)	**(15.891)**	**Net (Increase)/ Decrease in Cash and Cash Equivalents**			**11.682**	**11.680**
9.977	**9.975**	**Cash and Cash Equivalents at the start of the reporting period**		*Note 23*	**25.866**	**25.866**
25.866	**25.866**	**Cash and Cash Equivalents at the end of the reporting period**		*Note 23*	**14.184**	**14.186**

Note to Cash Flow Statement – Included in Operating Activities is Interest paid in year of £21.181m; (2017/18, £19.283m) and Interest received in year £0.563m; (2017/18, £0.456m).

NOTES TO THE ACCOUNTS

Note 1 – Expenditure and Income Analysed by Segment and Nature

The Council's expenditure and income is analysed as follows for 2018/19.

2017/18		2018/19									
Net Cost of Services	Expenditure and Income Analysed by Segment and Nature	Employee Expenses	Other Service Expenses	Elimination Internal Transactions	Adjustments between the Funding & Accounting Basis	Expenditure	Fees, Charges and Other Service Income	Government Grants and Contributions	Elimination Internal Transactions	Income	Net Cost of Services
£m		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
127.803	Education	86.426	15.539	(0.027)	16.621	**118.559**	(2.093)	(9.516)	0.027	**(11.582)**	**106.977**
9.651	Finance and ICT	8.177	3.268	(2.224)	2.376	**11.597**	(2.887)	(0.740)	2.224	**(1.403)**	**10.194**
14.059	Planning and Economic Development	5.539	3.012	(0.223)	8.267	**16.595**	(4.254)	(0.099)	0.223	**(4.130)**	**12.465**
1.915	Economy and Skills Other Segments	1.645	0.169	(0.129)	0.254	**1.939**	(0.129)	-	0.129	**-**	**1.939**
19.653	Housing and Communities	12.277	13.293	(4.120)	5.319	**26.769**	(8.261)	(1.442)	4.120	**(5.583)**	**21.186**
14.133	Ayrshire Roads Alliance	8.027	12.622	(0.636)	8.373	**28.386**	(12.910)	(0.093)	0.636	**(12.367)**	**16.019**
25.051	Facilities and Property Management	13.308	24.194	(1.340)	(5.690)	**30.472**	(7.901)	(3.272)	1.340	**(9.833)**	**20.639**
2.165	Human Resources	1.975	0.185	(0.237)	0.299	**2.222**	(0.314)	-	0.237	**(0.077)**	**2.145**
8.886	Transport (incl SPT)	1.154	9.359	(0.765)	0.045	**9.793**	(1.064)	(0.016)	0.765	**(0.315)**	**9.478**
8.274	Arms Length Organisations	-	4.934	-	2.962	**7.896**	(0.051)	-	-	**(0.051)**	**7.845**
0.791	Safer Communities Other Segments	0.675	0.299	(0.235)	0.108	**0.847**	(0.240)	-	0.235	**(0.005)**	**0.842**
1.456	Social Work: Provision of Services	41.491	61.570	-	6.451	**109.512**	(103.734)	(3.386)	-	**(107.120)**	**2.392**
76.776	Contribution to the IJB	-	77.809	-	-	**77.809**	-	-	-	**-**	**77.809**
3.557	Governance	3.345	1.553	(0.699)	0.679	**4.878**	(2.133)	-	0.699	**(1.434)**	**3.444**
0.658	Chief Executive Office (incl Internal Audit)	0.510	0.129	(0.004)	0.078	**0.713**	(0.010)	-	0.004	**(0.006)**	**0.707**
4.377	Central Services	2.126	39.608	(0.822)	11.676	**52.588**	(0.944)	(34.696)	0.822	**(34.818)**	**17.770**
(4.471)	Projects	0.148	4.355	(0.002)	-	**4.501**	(2.977)	-	0.002	**(2.975)**	**1.526**
3.784	Housing Revenue Account	13.266	31.073	(0.419)	20.807	**64.727**	(45.250)	-	0.419	**(44.831)**	**19.896**
318.518	**Net Cost of Services**	**200.089**	**302.971**	**(11.882)**	**78.625**	**569.803**	**(195.152)**	**(53.260)**	**11.882**	**(236.530)**	**333.273**

Note 2 – Service Income and Expenditure including Internal Recharges

The service lines in the CIES exclude internal recharges. Income and expenditure for services, inclusive of internal recharges is analysed as follows.

2017/18				2018/19		
£m Exp	£m Income	£m Net	Net Cost Of Services before Elimination of Internal Recharges	£m Exp	£m Income	£m Net
136.732	(8.929)	127.803	Education	118.586	(11.609)	106.977
13.159	(3.508)	9.651	Finance and ICT	13.821	(3.627)	10.194
17.662	(3.603)	14.059	Planning and Economic Development	16.818	(4.353)	12.465
2.047	(0.132)	1.915	Economy and Skills Other Segments	2.068	(0.129)	1.939
31.500	(11.847)	19.653	Housing and Communities	30.889	(9.703)	21.186
28.453	(14.320)	14.133	Ayrshire Roads Alliance	29.022	(13.003)	16.019
35.606	(10.555)	25.051	Facilities and Property Management	31.812	(11.173)	20.639
2.466	(0.301)	2.165	Human Resources	2.459	(0.314)	2.145
9.899	(1.013)	8.886	Transport (incl SPT)	10.558	(1.080)	9.478
8.535	(0.261)	8.274	Arms Length Organisations	7.896	(0.051)	7.845
0.979	(0.188)	0.791	Safer Communities Other Segments	1.082	(0.240)	0.842
107.688	(106.232)	1.456	Social Work: Provision of Services	109.512	(107.120)	2.392
76.776	-	76.776	Contribution to the IJB	77.809	-	77.809
5.769	(2.212)	3.557	Governance	5.577	(2.133)	3.444
0.681	(0.023)	0.658	Chief Executive Office (incl Internal Audit)	0.717	(0.010)	0.707
47.096	(42.719)	4.377	Central Services	53.410	(35.640)	17.770
10.285	(14.756)	(4.471)	Projects	4.503	(2.977)	1.526
48.977	(45.193)	3.784	Housing Revenue Account	65.146	(45.250)	19.896
584.310	**(265.792)**	**318.518**	**Net Cost Of Services before Eliminations**	**581.685**	**(248.412)**	**333.273**

NOTES TO THE ACCOUNTS

Note 3 – External Audit Costs

Fees payable to Audit Scotland for services carried out under the Code of Practice in 2018/19 were £0.296m (2017/18 £0.274m).

Note 4 – Agency Services

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2018/19 the Council received £0.436m for providing this service (2017/18 £0.436m). The Council also acts as agent on behalf of the Scottish Government in respect of the collection of Non-Domestic Rates.

Note 5 – Material Items of Income and Expenditure

During 2018/19 the Council disposed of assets and achieved capital receipts totalling £1.095m. The carrying value of these assets on the Balance Sheet was £8.734m.

Note 6 – Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2018/19.

2017/18		2018/19
£m	**Credited to Taxation and Non Specific Grant Income**	£m
190.949	Revenue Support Grant	195.355
29.367	Non-Domestic Rates	26.073
9.093	General Capital Grant	10.405
1.996	Council House Building Programme	7.087
3.653	Other Capital Grants	8.528
235.058	**Total**	**247.448**
£m	**Credited to Services/ IJB**	**£m**
40.747	DWP Housing Benefits	34.546
5.821	Scottish Attainment Challenge	7.041
-	William McIlvanney Campus	2.934
2.385	Criminal Justice Grant	2.554
0.415	Scottish Government - Early Learning & Childcare	1.937
1.846	Integrated Care Fund	1.669
1.713	Home Energy Efficiency Programmes Scotland (HEEPS) Grants	1.315
0.809	Private Sector Housing Grant	0.929
0.738	DWP Benefits Administration Grants	0.744
0.645	Alcohol and Drug Partnership Funding	0.641
0.394	Education Maintenance Allowance	0.357
3.651	Dean Castle Restoration	0.925
0.882	European Social Fund Grants	0.695
1.362	Skares Flood Risk Reduction	0.676
0.339	Sportscotland - Active Schools Grant	0.340
0.285	Skills Development Scotland Skillseeker Grant	0.288
0.143	Big Lottery Funding	0.256
0.377	Conservation Area Regeneration Scheme - Historic Scotland	-
1.921	Environmental Risk Management Fund (Open Cast Sites)	-
2.146	WRAP Grant	-
1.033	Various Minor Education Grants	0.729
0.165	Various Minor Social Work Grants	0.329
0.407	Various Minor Economy & Skills Grants	0.490
0.544	Various Minor Safer Communities Grants	1.013
68.768	**Total**	**60.408**

NOTES TO THE ACCOUNTS

Note 7 – Public Private Partnership (PPP) and Similar Contracts

Schools PPP Project

The Council entered into a Public Private Partnership for the provision of school buildings, maintenance and other facilities. The agreement provides two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The contractor is required to ensure the availability of the buildings to a pre-agreed standard. The buildings and any plant and equipment installed in them at the end of the contract will transfer to the Council for no cost. The schools became operational during 2007/08 and 2008/09 and the assets and liabilities have been recognised in the Balance Sheet.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2019/20	4.820	1.729	3.947	10.496
Payable within 2 to 5 years	20.549	7.794	15.830	44.173
Payable within 6 to 10 years	29.489	11.548	18.956	59.993
Payable within 11 to 15 years	30.125	16.764	20.373	67.262
Payable within 16 to 20 years	24.794	18.554	17.228	60.576
Total	**109.777**	**56.389**	**76.334**	**242.500**

The liability outstanding to pay the contractor for capital expenditure is as follows:

2017/18 £m		2018/19 £m
59.552	**Balance outstanding at start of year**	**58.068**
(1.484)	Payments during the year	(1.679)
58.068	**Balance outstanding at year-end**	**56.389**

Schools Non Profit Distributing (NPD) Project

During 2018/19 the Council took occupation of the William McIlvanney campus, a NPD project constructed via Design, Build, Finance and Maintain contract through the Schools for the Future programme. The asset will revert to the Council at the end of the contract period (25 years from April 2018).

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2019/20	0.469	1.226	2.196	3.891
Payable within 2 to 5 years	2.141	5.466	8.217	15.824
Payable within 6 to 10 years	4.492	7.320	8.607	20.419
Payable within 11 to 15 years	6.616	8.185	6.415	21.216
Payable within 16 to 20 years	9.041	9.506	3.572	22.119
Payable within 21 to 25 years	7.055	10.171	1.184	18.410
Total	**29.814**	**41.874**	**30.191**	**101.879**

2017/18 £m		2018/19 £m
-	**Balance outstanding at start of year**	**-**
-	Additions during the year	42.897
-	Payments during the year	(1.023)
-	**Balance outstanding at year-end**	**41.874**

Movements in the value for both projects are detailed in the PPP Note 12. The Council makes payment by way of a monthly unitary charge over the term of the agreement, which is increased each year by an inflationary element based on RPI and RPIX for each year, and which can be reduced if the contractor fails to meet availability and performance standards. The unitary charge includes the repayment of construction costs, interest and service charges and the projected payments due under the agreement, based on assumed RPI and RPIX of 2.5% per annum.

NOTES TO THE ACCOUNTS

Note 8 – Operating Leases

Council as Lessee: The Council has a number of assets under operating leases including properties, vehicles and plant and IT hardware. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2018 £m		31 March 2019 £m
0.309	Not later than 1 year	0.263
0.802	Later than 1 year and not later than 5 years	0.771
0.155	Later than 5 years	0.151
1.266		**1.185**

The expenditure charged to the Net Cost of Services in the CIES during the year in relation to these leases was £0.312m (£0.405m in 2017/18).

Council as Lessor: The Council leases out properties under operating leases for the provision of community services such as sports facilities and community facilities or for economic development purposes to provide suitable affordable accommodation for local businesses. Future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2018 £m		31 March 2019 £m
0.661	Not later than 1 year	0.798
1.886	Later than 1 year and not later than 5 years	2.523
5.341	Later than 5 years	6.211
7.888		**9.532**

The income credited to the Net Cost of Services in the CIES during the year in relation to these leases was £0.891m (£0.716m in 2017/18).

Note 9 – Pension Schemes Accounted for as Defined Benefit Pension Schemes

Participation in Pension Schemes

The Council makes contributions to the cost of post employment benefits. Although benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time employees earn their future entitlement.

The Council participates in the Strathclyde Pension Scheme, administered by Glasgow City Council. This is a funded defined benefit scheme, meaning that employees and the Council pay contributions calculated at a level intended to balance the pensions liabilities with investment assets. The Scheme provides pension benefits for councillors and local government employees (excluding teachers). For local government employees this is a defined benefit scheme calculated on a career average basis which means that pensions benefits are earned on pensionable pay earned in the scheme year. The Council has additional liabilities for unfunded discretionary pension payments outside the main scheme. The Scheme is operated under the regulatory framework for the Local Government Pension Scheme and governance of the scheme is the responsibility of the pensions committee of Glasgow City Council. Policy is determined in accordance with the Pensions Fund Regulations.

Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which appoints a number of external investment managers/partners and monitors their investment performance. The principal risks are the longevity assumptions, statutory scheme changes, structural changes (i.e. large-scale withdrawals), changes to inflation, bond yields and the performance of the investments held. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account the amounts required by statute as described in Note 31.

In terms of IAS37 Provisions, Contingent Liabilities and Contingent Assets, a contingent liability has been disclosed in Note 25 which relates to the Court of Appeal judgement following consideration of matters relating to age discrimination arising from public sector pension scheme transition arrangements.

NOTES TO THE ACCOUNTS

Transactions Relating to Post Employment Benefits

The Council recognises retirement benefits costs when earned rather than when paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year.

2017/18 £m	Local Government Pension Scheme	2018/19 £m
	Comprehensive Income and Expenditure Statement (CIES)	
	Cost of Services:	
31.968	Current service costs	36.379
0.298	Past service costs (including curtailments)	13.840
	Financing and Investing Income and Expenditure:	
6.467	Net Interest Expense	3.386
38.733	Total Post Employment Benefit Charged to Surplus or Deficit on Provision of Services	53.605
	Other Post Employment Benefit Charged to the CIES:	
	Re-measurement of the net defined benefit liability comprising:	
(25.096)	*Return on pension fund assets*	(27.811)
(1.551)	Actuarial (gains) or losses arising on changes in demographic assumptions	-
(66.869)	Actuarial (gains) or losses arising on changes in financial assumptions	80.634
(68.840)	Actuarial (gains) or losses arising from other experience	0.847
(162.356)		53.670
(123.623)	Total Post Employment Benefit Charged to the CIES	107.275
	Movement in Reserves Statement (MiRS)	
142.430	Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post employment benefits in line with the Code	(86.709)
18.807	**Employers' contributions payable to Strathclyde Pension Fund**	**20.566**

Pension Assets and Liabilities on the Balance Sheet

2017/18 £m		2018/19 £m
(974.445)	Present Value of The Defined Benefit Obligation *	(1,113.745)
856.892	Fair Value of Pension Fund Assets	909.483
(117.553)	Net Liability arising from Defined Benefit Obligation	**(204.262)**
	*Unfunded Liabilities included in the figure for present value of liabilities	
(21.610)	Unfunded liabilities for Pension Fund	(22.166)
(25.841)	Teachers unfunded pensions	(26.860)
(8.401)	Unfunded liabilities prior to 1996 local government reorganisation	(8.152)

Reconciliation of Present Value of the Scheme liabilities (Defined Benefit Obligation)

2017/18 £m		2018/19 £m
(1,070.769)	**Opening balance at 1 April**	**(974.445)**
(31.968)	Current Service Cost	(36.379)
(27.547)	Interest Cost	(26.544)
(5.014)	Contributions from scheme Participants	(5.515)
	Re-measurement gains and (losses)	
1.551	Actuarial gains or (losses) from changes in demographic assumptions	-
66.869	Actuarial gains or (losses) from changes in financial assumptions	(80.634)
68.840	Actuarial gains or (losses) from other experience	(0.847)
(0.298)	Past service cost	(13.840)
23.891	Benefits Paid	24.459
(974.445)	**Closing Balance at 31 March**	**(1,113.745)**

Reconciliation of Fair Value of the Scheme (plan) assets

2017/18 £m		2018/19 £m
810.786	**Opening Fair Value of Pension Fund Assets**	**856.892**
21.080	Interest Income	23.158
25.096	Return on pension fund assets	27.811
18.807	Contributions from employers	20.566
5.014	Contributions from employees into the scheme	5.515
(23.891)	Benefits Paid (including settlements)	(24.459)
856.892	**Closing Balance at 31 March**	**909.483**

NOTES TO THE ACCOUNTS

Analysis of Pension Fund Assets (Note, the actuary has stated that rounding may cause the sum of items not to equal the totals shown)

Asset Category	2018/19				2017/18			
	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Total	%	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Total	%
	£m	£m	£m		£m	£m	£m	
Equity Securities	209.797	0.551	210.348	23%	197.667	0.520	198.187	23%
Debt Securities	28.536	0.001	28.537	3%	26.886	0.001	26.887	3%
Private Equity	-	108.679	108.679	12%	-	102.395	102.395	12%
Real Estate	-	82.345	82.345	9%	-	77.583	77.583	9%
Investment Funds and Unit Trusts	298.533	89.080	387.613	43%	281.271	83.928	365.199	43%
Derivatives	0.019	-	0.019	0%	0.018	-	0.018	0%
Cash & Cash Equivalents	46.819	45.122	91.941	10%	44.112	42.513	86.625	10%
Closing Balance at 31 March	**583.706**	**325.777**	**909.483**	**100%**	**549.953**	**306.939**	**856.892**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed based on the latest full valuation of the scheme as at 31 March 2019.

Local Government Pension Scheme			
Long-term expected rate of return on assets in the scheme:		**2018/19**	**2017/18**
Equity investments		2.4%	2.7%
Bonds		2.4%	2.7%
Property		2.4%	2.7%
Cash		2.4%	2.7%
Mortality assumptions (years):			
Longevity at 65 for current pensioners:	Men	21.4	21.4
	Women	23.7	23.7
Longevity at 65 for future pensioners:	Men	23.4	23.4
	Women	25.8	25.8
Rate of inflation		3.5%	3.4%
Rate of increase in salaries		3.7%	3.6%
Rate of increase in pensions		2.5%	2.4%
Rate for discounting scheme liabilities		2.4%	2.7%
Take-up of option to convert annual pension into retirement lump sum		50.0%	50.0%

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions payable in future years dependent on assumptions on mortality, salary levels and other factors. Assets held are valued at fair value, principally market value for investments. The table shows the principal assumptions used by the actuary and the categorisation by proportion of the total assets.

Change in Assumptions at 31 March 2019

	Approximate % increase in Employer Liability	**Approximate monetary amount £m**
0.5% decrease in Real Discount Rate	10%	£107,568
1 Year increase in Member Life Expectancy	3-5%	Not Quantified
0.5% increase in the Salary Increase Rate	2%	£20,508
0.5% increase in the Pension Increase Rate	8%	£84,675

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as shown above. The sensitivity has been determined based on reasonable changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme. The methods and types of assumptions used in preparing the sensitivity analysis above did not change from those used in the previous period.

Asset and Liability Matching (ALM) Strategy

The main fund of Strathclyde Pension Fund does not have an ALM strategy as this is used mainly by mature funds. The Fund does match, to the extent possible, types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested in too narrow a range. The Fund invests in equities, bonds, properties and cash.

Impact on the Authority's Cash Flow

The Fund's objective is 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 participating Local Authorities. Employers' contributions were set at 19.3% for 2018/19. The triennial valuation took place at 31 March 2017. The Fund will need to take account of national changes to the Scheme such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals. The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2020 is £17.726m. The assumed weighted average duration of the defined benefit obligation is 18.5 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

McCloud Judgement

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

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination with the implications of this ruling expected to also apply to the LGPS. The UK Government was denied the request to appeal the decision in June 2019. LGPS Scotland benefits accrued from 2015 may thus need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin or receive compensation. This means that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this time is difficult as it depends on compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England and Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions and further details are available in GAD's paper of 10 June 2019.

Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates and the revised estimate results in a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £10.8m for the Council, with the cost reflected in Past Service Costs.

Guaranteed Minimum Pension (GMP)

GMP was accrued by LGPS members between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension.

The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between male and female benefits.

GMP rules were changed as an interim measure with responsibility for ensuring GMP's for members reaching state pension age between 6 April 2016 and 5 April 2021 keep pace with inflation was passed to pension schemes which leads to increased costs for schemes and employers.

Strathclyde Pension Fund's actuary has estimated the impact that the GMP indexation changes will have on pension fund liabilities, assuming that the permanent solution will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. The impact is to increase the total liabilities for the Council by £3.0m with the cost reflected in Past Service Costs.

Note 10 – Pension Schemes Accounted for as Defined Contribution Pension Schemes

Teachers are members of the Scottish Teachers' Superannuation Scheme which provides specified benefits upon retirement. The Council contributes by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. Unlike the Local Government Scheme, the Council is not required to apply IAS 19 disclosures in respect of the Teachers' Scheme as the liability rests ultimately with the Scottish Government. Therefore, the costs recorded in respect of this scheme are the actual contributions made during the year. The scheme is accounted for as a defined contribution scheme. Contributions by the Council in 2018/19 amounted to £7.966m, (17.2% of pensionable pay), (2017/18 £7.852m,17.2% of pensionable pay). In addition, contributions totalling £0.698m, 1.5% of pensionable pay, were made in respect of discretionary payments (2017/18 £0.714m, 1.56% of pensionable pay). The Council is responsible for the costs of any additional benefits awarded upon early retirement and these are accounted for on a defined benefit basis.

Note 11 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it.

2017/18 £m		2018/19 £m
387.074	**Opening Capital Financing Requirement**	**406.161**
	Capital Investment	
61.314	Property, Plant and Equipment	131.200
0.081	Intangible Assets	0.392
6.307	Revenue Expenditure Funded from Capital under Statute	2.284
	Sources of Finance	
(2.182)	Capital receipts	(0.457)
(21.049)	Government grants and other contributions	(28.304)
	Sums set aside from revenue:	
(12.333)	Direct revenue contributions	(10.318)
(1.484)	Repayment of PPP/Finance Lease Capital Debt	(2.701)
(11.567)	Loans Fund Principal	(9.871)
406.161	**Closing Capital Financing Requirement**	**488.386**
	Explanation of movements in year	
19.300	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	82.225
19.300	**Increase/ (Decrease) in Capital Financing Requirement**	**82.225**

NOTES TO THE ACCOUNTS

Note 12 – PPP Assets Included in Property, Plant and Equipment

2017/18 £m		2018/19 £m
75.601	**Cost or Valuation at 1 April**	83.979
-	Expenditure	46.353
8.378	Revaluations To Revaluation Reserve	4.252
-	Revaluations To Net Cost of Services	-
83.979	**Cost or Valuation at 31 March**	134.584
(6.710)	**Depreciation and Impairment at 1 April**	(5.865)
(2.290)	Depreciation charge	(3.427)
3.135	Depreciation Written Out To Revaluation Reserve	1.138
(5.865)	**Depreciation or Impairment at 31 March**	(8.154)
68.891	**Opening Net Book Value**	78.114
78.114	**Closing Net Book Value**	**126.430**

Note 13 – Impairment Losses

An impairment loss of £34.573m was recognised in 2018/19 due to the revaluation of PPE (2017/18 £45.791m). The assets have been reduced to their new value in use and relevant impairment losses charged to the CIES.

Note 14 – Fair Value Hierarchy

The Council measures its surplus assets and held for sale assets at fair value. Fair Value is the price that would be received to sell an asset in an orderly transaction between market participants. 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 technique in respect of assets and liabilities for which fair value is measured or disclosed in the Annual Accounts are categorised within the fair value hierarchy, as follows:

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

Level 2 Significant observable inputs: the Fair Value for assets has been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets within East Ayrshire. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the Fair Value hierarchy.

All of the Council's surplus properties and the Common Good's investment properties fall into Level 2 and their fair value at 31 March 2019 were as follows:

2017/18 £m		2018/19 £m
5.242	**Opening Net Book Value**	**5.709**
0.561	Additions	2.070
	Revaluations:	
(0.572)	To Revaluation Reserve	(0.858)
(0.921)	To Net Cost of Services	0.292
(0.014)	Disposals	(0.102)
1.503	Assets Reclassified	0.762
(0.090)	Depreciation charge	(0.142)
5.709	**Closing Net Book Value**	**7.731**

NOTES TO THE ACCOUNTS

Note 15 – Property, Plant and Equipment (PPE)

2018/19	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	2018/19 Total
Cost or Valuation:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2018	**474.660**	**445.442**	**43.125**	**117.769**	**5.594**	**15.551**	**1,102.141**
Expenditure	17.523	52.493	3.733	10.458	2.031	44.922	**131.160**
Revaluations (Effective 31 March):							
To Revaluation Reserve	(167.493)	6.243	-	-	0.191	-	**(161.059)**
To Net Cost of Services	(19.768)	(14.513)	-	-	0.066	-	**(34.215)**
Disposals	(10.068)	(0.501)	(1.939)	-	-	-	**(12.508)**
Other movements	2.171	7.969	-	-	(0.015)	(10.922)	**(0.797)**
At 31 March 2019	**297.025**	**497.133**	**44.919**	**128.227**	**7.867**	**49.551**	**1,024.722**
Depreciation and Impairment:							
At 1 April 2018	**(88.775)**	**(34.543)**	**(31.761)**	**(60.368)**	**(0.221)**	**-**	**(215.668)**
Depreciation charge	(16.315)	(13.289)	(4.329)	(6.961)	(0.142)	-	**(41.036)**
Depreciation written out				-		-	
To Revaluation Reserve	103.136	4.518	-	-	0.025	-	**107.679**
Disposals	1.954	-	1.922	-	-	-	**3.876**
Reclassifications	-	-	-	-	-	-	**-**
Other movements	-	0.020	-	-	-	-	**0.020**
At 31 March 2019	**0.000**	**(43.294)**	**(34.168)**	**(67.329)**	**(0.338)**	**-**	**(145.129)**
Net Book Value at 31 March 2018	**385.885**	**410.899**	**11.364**	**57.401**	**5.373**	**15.551**	**886.473**
Net Book Value at 31 March 2019	**297.025**	**453.839**	**10.751**	**60.898**	**7.529**	**49.551**	**879.593**

2017/18	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	2017/18 Total
Cost or Valuation:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2017	**465.268**	**436.283**	**39.368**	**112.675**	**4.942**	**19.477**	**1,078.013**
Expenditure	15.539	18.735	4.559	5.102	0.561	16.818	**61.314**
Revaluations (Effective 1 April):							
To Revaluation Reserve	(0.170)	14.011	-	-	(0.809)	-	**13.032**
To Net Cost of Services	(2.600)	(42.270)	-	-	(0.772)	-	**(45.642)**
Disposals	(3.377)	(0.397)	(0.802)	-	-	-	**(4.576)**
Other movements	-	19.080	-	(0.008)	1.672	(20.744)	**-**
At 31 March 2018	**474.660**	**445.442**	**43.125**	**117.769**	**5.594**	**15.551**	**1,102.141**
Depreciation and Impairment:							
At 1 April 2017	**(70.222)**	**(41.543)**	**(28.165)**	**(54.418)**	**(0.199)**	**-**	**(194.547)**
Depreciation charge	(19.252)	(12.393)	(4.316)	(5.951)	(0.090)	-	**(42.002)**
Depreciation written out							
To Revaluation Reserve	0.170	19.226	-	-	0.237	-	**19.633**
Disposals	0.529	-	0.720	-	-	-	**1.249**
Reclassifications	-	-	-	-	(0.169)	-	**(0.169)**
Other movements	-	0.167	-	0.001	-	-	**0.168**
At 31 March 2018	**(88.775)**	**(34.543)**	**(31.761)**	**(60.368)**	**(0.221)**	**-**	**(215.668)**
Net Book Value at 31 March 2017	**395.046**	**394.740**	**11.203**	**58.257**	**4.743**	**19.477**	**883.466**
Net Book Value at 31 March 2018	**385.885**	**410.899**	**11.364**	**57.401**	**5.373**	**15.551**	**886.473**

NOTES TO THE ACCOUNTS

Note 16 – Intangible Assets

Non Current Assets: the Council accounts for software and purchased licenses as non current intangible assets. All software is assigned a finite useful life of 5 years and relevant amortisation is:

	Carrying Amount		Remaining
	31 March 2019 £m	31 March 2018 £m	Amortisation
Document Classification	-	0.006	None
Case Management System	-	0.003	None
Grants System	-	0.003	None
Business Intelligence Software	-	0.002	None
Energywise Software	0.003	0.005	2 years
Northgate Software	0.049	0.065	3 years
Gov Delivery Platform	0.019	-	5 years
Health & Social Care Management Information System	0.295	-	5 years
	0.366	**0.084**	

The movement on Intangible Asset balances during the year is as follows:

2017/18 £m		2018/19 £m
	Balance at start of year:	
0.566	Gross carrying amounts	0.647
(0.531)	Accumulated amortisation	(0.563)
0.035	**Net carrying amount at start of year**	**0.084**
0.081	Purchases	0.392
(0.032)	Amortisation for the period	(0.110)
0.084	**Net carrying amount at end of year**	**0.366**
	Comprising:	
0.647	Gross carrying amounts	1.039
0.563	Accumulated amortisation	0.673

Current Intangible Assets

The Council participates in the Carbon Reduction Commitment (CRC) Scheme and purchased allowances prospectively in April 2015 for the years remaining in the second phase of the scheme, which ended on 31 March 2019.

31 March 2018 £m		31 March 2019 £m
0.603	**Opening Balance outstanding**	0.319
-	Purchases	0.175
(0.284)	Recognised as expense in the year	(0.251)
0.319	**Closing Balance outstanding**	**0.243**

Note 17 – Capital Commitments

As at 31 March 2019 the council has entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major commitments are:

Scheme	Commitment £m
Barony Campus	30.313
Affordable Housing - Tinto Avenue, Kilmarnock	6.571
Bellsbank Primary	5.107
Affordable Housing - David Dale Avenue, Stewarton	4.251
Affordable Housing - Brown Street, Newmilns	3.279
Affordable Housing - Carnshalloch Avenue, Patna	2.274
Affordable Housing - Cessnock Road, Hurlford	1.274
Caponacre Depot	0.279
Loudoun Academy	0.115
Barony Campus 10GB Fibre	0.107
Ross Court, Galston	0.070
Total	**53.640**

NOTES TO THE ACCOUNTS

Note 18 – Assets Held for Sale

2017/18 £m	Current Assets	2018/19 £m
0.499	**Balance outstanding at start of year**	**0.336**
-	Assets newly classified as held for sale	0.816
	Revaluation Losses:	
-	To Revaluation Reserve	(0.491)
(0.149)	To Net Cost of Services	(0.358)
(0.014)	Assets sold	(0.102)
0.336	**Balance outstanding at year-end**	**0.201**

Note 19 – Heritage Assets

The Council has a number of collections which are held in support of the primary objective of increasing knowledge, understanding groups and appreciation. The collections fall into two main aims:

- The systematic collection of material representative of the human history, natural history and earth sciences of the local area, particularly East Ayrshire, but for historical, geographical and scientific reasons the concept of the local area is meaningful in many contexts only when more widely defined as Ayrshire or in some cases the Clyde basin;
- Additions to existing collections with a purely subject basis not related to the local geographic area do not fall within the above definition. Such collections formed a large part of the original basis for the museums both at the Dick Institute and at Dean Castle, and the various deeds of donation are dedicated to ensuring their preservation. These collections are mostly on clearly defined themes. The main collections have been reported on the Balance Sheet at their insurance valuation with the other minor collections based on valuation judgement of the curator of the collection.

2017/18 £m		2018/19 £m
65.256	**Cost or Valuation at 1 April**	**65.256**
-	Revaluations during the year	-
65.256	**Cost or Valuation at 31 March**	**65.256**
65.256	**Opening Net Book Value**	**65.256**
65.256	**Closing Net Book Value**	**65.256**

Information on the management of Heritage Assets including details of records maintained is included in the East Ayrshire Arts and Museums Acquisitions, Preservation, Management and Disposals Policy.

Note 20 – Inventories

2017/18				2018/19		
Consumable Stores £m	Maintenance Materials £m	Total £m		Consumable Stores £m	Maintenance Materials £m	Total £m
2.392	0.820	3.212	Opening Balance	0.591	0.927	1.518
1.414	4.840	6.254	Purchases	1.518	4.082	5.600
(3.215)	(4.733)	(7.948)	Recognised as expense in the year	(1.483)	(4.090)	(5.573)
0.591	**0.927**	**1.518**	**Closing Balance**	**0.626**	**0.919**	**1.545**

Note 21 – Debtors

31 March 2018 £m		31 March 2019 £m
10.139	Central Government bodies	7.060
4.420	Other Local Authorities	5.680
5.173	NHS bodies	1.891
-	Public Corporations and trading funds	0.211
13.461	Other entities and individuals	11.671
33.193	**Total**	**26.513**

NOTES TO THE ACCOUNTS

Note 22 – Creditors

31 March 2018 £m		31 March 2019 £m
(6.098)	Central Government bodies	(8.555)
(2.381)	Other Local Authorities	(2.810)
(0.166)	NHS bodies	(0.148)
(0.190)	Public Corporations and trading funds	(0.329)
(46.215)	Other entities and individuals	(53.843)
(55.050)	**Total**	**(65.685)**

Note 23 – Cash and Cash Equivalents

31 March 2018 £m		31 March 2019 £m
0.154	Cash held by the Council	0.102
(2.535)	Bank current accounts	(1.511)
28.247	Short term deposits	15.593
25.866	**Total Cash and Cash Equivalents**	**14.184**

Note 24 – Provisions

The Council holds a provision of £0.171m in respect of teachers holidays accrued while on maternity leave, which is an increase of £0.034m on the opening balance of £0.137m.

A provision of £0.097m has been retained in respect of a potential PAYE tax liability arising from the 'Lets Connect' technology salary sacrifice scheme arising as a result of the HMRC view regarding the residual value and disposal arrangements at the conclusion of the arrangement.

Strathclyde Regional Council (SRC) intromissions for the Council's share of outstanding claims against the former SRC are held. There is also a potential liability which may require to be met by the constituent authorities within the former SRC area which has been noted as a contingent liability.

Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay. 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.

Note 25 – Contingent Assets and Liabilities

The Council is a constituent member of Business Loans Scotland, which exists to co-ordinate the 12 former SRC authorities in respect of their relationship with the European Regional Development Fund. At 31 March 2019 the Council's involvement stands at £0.810m.

Appropriate provision has been made for the settlement of all known claims in respect of Equal Pay.

The Council has an obligation to indemnify and reimburse any cumulative deficit sustained by the Kilmarnock Leisure Centre Trust up to a maximum of £0.200m in each financial year once the reserves held by the Trust have been depleted.

The Council remains liable for a share of potential liabilities arising from claims lodged against SRC on a geographical basis and of other expenditure above a specified level on an agreed basis. These potential liabilities include shared liability in connection with Municipal Mutual Insurance (MMI) Limited, one of the insurers of the former SRC and the former Kilmarnock and Loudoun and Cumnock and Doon Valley District Councils. Following the Supreme Court ruling on Employers' Liability Insurance "Trigger" Litigation on 28 March 2012 the Council has a provision to meet clawback of estimated payments made by MMI Limited for known claims and recognises a contingent liability for claims that may be incurred but yet to be reported.

A contingent liability exists at the balance sheet date following notification from the Scottish Government in March 2019 that the European Commission had initiated a pre-suspension procedure for interim payments of the European Structural Fund Scotland Programme. The pre-suspension is Scotland-wide and follows concerns raised by the European Council around the controls in place for the management and control of these funds. The Scottish Government, as Managing Authority of ESF funds, is actively progressing the matter and working to resolve the current issue.

NOTES TO THE ACCOUNTS

Note 26 – Financial Instruments

Financial Assets and Financial Liabilities

31 March 2018				31 March 2019		
Non Current	Current	Total	Amortised Cost	Non Current	Current	Total
£m	£m	£m		£m	£m	£m
0.016	12.508	**12.524**	Investments	0.412	9.010	**9.422**
-	61.594	**61.594**	Debtors	-	42.208	**42.208**
0.016	**74.102**	**74.118**	**Total Financial Assets**	**0.412**	**51.218**	**51.630**
(358.528)	(19.164)	**(377.692)**	Borrowings	(388.745)	(39.605)	**(428.350)**
-	(42.625)	**(42.625)**	Creditors	-	(50.750)	**(50.750)**
(358.528)	**(61.789)**	**(420.317)**	**Total Financial Liabilities**	**(388.745)**	**(90.355)**	**(479.100)**

Reclassification and Remeasurement of Financial Assets at 1 April 2018

The effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code and the remeasurement of carrying amounts then required is shown below.

		New Classifications at 1 April 2018		
	Carrying amount brought forward at 1 April	Amortised cost	Fair Value through Other Comprehensive Income	Fair Value through Profit and Loss
Previous classifications	£m	£m	£m	£m
Loans and receivables	7.504	7.504	-	-
Available for Sale	5.004	5.004	-	-
Reclassified amounts at 1 April 2018	**12.508**	**12.508**		

	£m
Impact on General Fund Balance	-
Impact on Financial Instruments Revaluation Reserve	-

Effect of Asset Reclassification and Remeasurement on the Balance Sheet

The amount noted above relates to Current Investments and is included in total in the amount carried on the Balance Sheet as at 1 April 2019.

Items of Income

2017/18			2018/19	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£m	£m	Net gains/losses on:	£m	£m
0.003	-	Financial assets measured at amortised cost	-	-
0.003	**-**	**Total net gains/losses**	**-**	**-**
		Interest revenue:		
(0.456)	-	Financial assets measured at amortised cost	(0.563)	-
(0.456)	**-**	**Total interest revenue**	**(0.563)**	**-**
19.283	**-**	**Interest expense**	**21.181**	**-**

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised costs 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 instruments, using the following assumptions:

- For non-Public Works Loan Board (PWLB) loans payable, PWLB premature repayment 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 the fair value;

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2018 Carrying Amount £m	Fair Value £m		31 March 2019 Carrying Amount £m	Fair Value £m
12.508	12.508	Short Term Investments	9.010	9.010
0.016	0.016	Long Term Investments	0.412	0.412
61.594	61.594	Short Term Debtors	42.208	42.208
74.118	**74.118**	**Financial Assets**	**51.630**	**51.630**
(246.081)	(361.113)	PWLB Debt	(237.688)	(354.900)
(71.010)	(128.278)	Non-PWLB Debt	(90.888)	(149.910)
(2.534)	(2.534)	Short Term Borrowing	(1.511)	(1.511)
(42.625)	(42.625)	Short Term Creditors	(50.750)	(50.750)
(1.678)	(1.678)	Short Term Finance Lease Liability	(2.955)	(2.955)
(56.389)	(76.727)	Long Term Finance Lease Liability	(95.308)	(118.485)
(420.317)	**(612.955)**	**Financial Liabilities**	**(479.100)**	**(678.511)**

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

However, the Council has the ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that will be paid as a result of PWLB commitments for fixed rate loans is to compare the terms of these loans with new borrowing rates available from PWLB. If a value is calculated on this basis, the carrying amount of £237.688m would be valued at £310.825m. If the Council were to realise the projected gain by repaying the PWLB loans, there would be a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £354.900m.

Short Term Debtors and Creditors are carried at cost as this is a fair approximation of their value.

Note 27 – 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 may have insufficient funds to make repayments.

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 interest rates and stock market movements.

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. Risk Management procedures are set out through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations which require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, 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 in the financial regulations;
- By approving annually in advance prudential and treasury indicators for the following 3 years limiting:
    - Overall borrowing;
    - Maximum and minimum exposures to the maturity structure of debt;
    - Management of interest rate exposure;
    - Maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

These require 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. They are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy incorporates the prudential indicators approved by Cabinet on 2 May 2018, and is available on our website. The key areas within the strategy were:

- The Authorised Limit for 2018/19 was set at £655m, the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £625.268m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the Council's net debt;
- The maximum and minimum exposures to the maturity structure of debt.

Risk management is coordinated by a central treasury team, under the approved Treasury Management Strategy. The 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 surplus cash).

Credit Risk Management Practices

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. This risk is minimised through the Annual Investment Strategy, available on our website. Credit risk practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, 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 2018/19 Investment Strategy approved by Cabinet on 2 May 2018 is available on our website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to investments in financial institutions 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 deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

For investments at amortised cost there are no expected credit losses.

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2019.

Counterparty	Credit Rating Criteria met when investment placed	Credit Rating Criteria met on 31 March 2019	Balance Invested at 31 March 2019						
			Up to 1 Month	Between 1 and 3	Between 3 and 6	Between 6 and 9	Between 9 and 12	Over 12	Total
	YES/NO	YES/NO	£m	£m	£m	£m	£m	£m	£m
UK Banks	YES	YES	14.323	3.001	-	-	-	-	**17.324**
Debt Management Office	YES	YES	7.268	-	-	-	-	-	**7.268**
Other	YES	YES	-	-	0.007	-	0.002	0.402	**0.411**
Total			**21.591**	**3.001**	**0.007**	**-**	**0.002**	**0.402**	**25.003**

Liquidity Risk

The Council manages its liquidity position through 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 PWLB and money markets for access to longer term funds. 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.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

31 March 2018		31 March 2019
£m		£m
12.508	Less than 1 year	9.010
-	Between 1 and 2 years	0.006
-	Between 2 and 3 years	0.006
-	More than 3 years	0.400
12.508		**9.422**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst cash flow procedures are considered against the refinancing risk procedures, longer term risk 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 the maturity structure of debt and the limits placed on investments placed for greater than one year are the key parameters used to address this risk. The Council 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 new borrowing or the rescheduling of existing debt;
- Investments to ensure sufficient liquidity is available for 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 flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Cabinet in the Treasury Management Strategy):

	Approved Minimum Limits	Approved Maximum Limits	31 March 2019 £m	%
Less than 1 year	0%	35%	39.605	9%
Between 1 and 2 years	0%	35%	10.076	2%
Between 2 and 5 years	0%	60%	33.775	8%
Between 5 and 10 years	0%	50%	54.010	13%
More than 10 years	0%	50 - 90%	290.885	68%
Total			**428.351**	**100%**

Trade Receivables

At 31 March 2019 the Council's potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £13.442m with a bad debt provision of £5.577m. The amount does not include debtors related to Council Tax, Community Charge, Non-Domestic Rates and Council House Rents as these are not considered to be finance assets. Analysis of the Gross Debtor amount by age is:

31 March 2018 £m		31 March 2019 £m
10.044	Less than 3 months	7.401
0.484	Between 3 and 6 months	0.361
0.666	Between 6 months and 1 year	0.658
4.979	More than 1 year	5.022
16.173		**13.442**

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the CIES 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 in the CIES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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 interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. 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 rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2019, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£m
Increase in interest receivable on variable rate investments	0.366
Impact on Surplus or Deficit on the Provision of Services	**0.366**
Share of overall impact debited to the HRA	**0.140**
Decrease in fair value of fixed rate investment assets	0.003
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**69.624**

The approximate 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 26 – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk - The Council does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 28 – Related Parties

Related parties are organisations that the Council can control or influence or who can control or influence the Council. Central 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). Grants received from government departments are set out in Note 6.

Elected Members

Members have direct control over the Council's financial and operating policies. Details of senior members' remuneration and members allowances paid in year are included in the Remuneration Report. Under the Council's Code of Conduct members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a councillor. Membership of statutory joint boards or committees, which are composed exclusively of Elected Members, does not raise an issue of declaration of interest in regard to Council business. In relation to interests of any other relevant parties, those members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from members interests. There were no related party transactions in the year.

Chief Officers

All Chief Officers completed and signed a Related Party declaration for the year to 31 March 2019. Based on the completed returns there were no related party transactions in the year.

Entities Controlled or Significantly Influenced by the Council

East Ayrshire Leisure Trust and the Integrated Joint Board are both deemed to be a related party of the Council mainly through the Council's ability to exert influence over the entity through its representation on the respective Board. The relevant transactions and balances with these bodies are:

	During 2018/19		As at 31 March 2019	
Entity	**Charges to £m**	**Charges from £m**	**Due from £m**	**Due to £m**
East Ayrshire Leisure Trust	0.473	6.270	0.032	0.528
Integrated Joint Board	98.229	77.809	-	1.994

NOTES TO THE ACCOUNTS

Note 29 – Unusable Reserves

Unusable Reserves are those that the Council is not able to utilise to provide services. The balances held at 31 March 2019 are shown in the following table:

2017/18		Unusable Reserves		Unusable Statutory Adjustment Accounts				2018/19
Total Unusable Reserves		Revaluation Reserve	Available for Sale Financial Instruments	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
£m		£m	£m	£m	£m	£m	£m	£m
281.575	**Balance at 31 March 2018**	**355.895**	**-**	**190.035**	**(117.553)**	**(12.493)**	**(7.178)**	**408.706**
195.017	Other Comprehensive Income and Expenditure	(53.871)	-	-	(53.670)	-	-	**(107.541)**
195.017	**Total Comprehensive Income and Expenditure**	**(53.871)**	**-**	**-**	**(53.670)**	**-**	**-**	**(107.541)**
	Adjustments between Accounting Basis and Funding Basis Under Statute							
(32.266)	Current and Past Service Pension Costs in Cost of Services	-	-	-	(50.219)	-	-	**(50.219)**
(6.467)	Net Interest on Net Defined Pension Liability	-	-	-	(3.386)	-	-	
18.807	Employers Contributions to Pensions Fund	-	-	-	20.566	-	-	**20.566**
(19.926)	**Adjustments Relating to Pensions**	**-**	**-**	**-**	**(33.039)**	**-**	**-**	**(29.653)**
(42.002)	Depreciation of Non Current Assets	(13.748)	-	(27.288)	-	-	-	**(41.036)**
(45.791)	Impairment of Non Current Assets	-	-	(34.573)	-	-	-	**(34.573)**
(0.032)	Amortisation of Intangible Assets	-	-	(0.110)	-	-	-	**(0.110)**
14.742	Capital Grants & Contributions Applied	-	-	26.020	-	-	-	**26.020**
0.007	Capital Grants & Contributions Unapplied	-	-	(3.455)	-	-	-	**(3.455)**
13.051	Repayment of Debt	-	-	12.572	-	-	-	**12.572**
12.333	Capital Expenditure Funded in Year	-	-	10.318	-	-	-	**10.318**
2.182	Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	0.457	-	-	-	**0.457**
(3.342)	Net Gain/ Loss on Disposal of Non Current Assets	-	-	(8.734)	-	-	-	**(8.734)**
(48.852)	**Adjustments Relating to Capital**	**(13.748)**	**-**	**(24.793)**	**-**	**-**	**-**	**(38.541)**
0.437	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(1.182)	**(1.182)**
0.455	Differences relating to Financial Instruments required by statute	-	-	-	-	0.456	-	**0.456**
0.892	**Adjustments for Other Items**	**-**	**-**	**-**	**-**	**0.456**	**(1.182)**	**(0.726)**
127.131	**Increase (decrease) before transfers**	**(67.619)**	**-**	**(24.793)**	**(86.709)**	**0.456**	**(1.182)**	**(176.461)**
408.706	**Balance at 31 March 2019**	**288.276**	**-**	**165.242**	**(204.262)**	**(12.037)**	**(8.360)**	**232.245**

Note 30 – Ayrshire Roads Alliance

The Ayrshire Roads Alliance was established on 1 April 2014 as a shared service partnership between East Ayrshire Council and South Ayrshire Council. The Alliance provides a shared roads service for both councils and is accounted for on a purchaser / provider arrangement with East Ayrshire Council employing all staff and managing the operational service. The budget for the Alliance is split between strategic and local delivery elements with both councils allocating their respective share. At the end of the year the expenditure on strategic delivery budgets is shared in line with local delivery budget inputs plus actual capital expenditure in-year after allocating a group of strategic staff equally.

NOTES TO THE ACCOUNTS

Local delivery budgets are used to meet local and consolidated road maintenance plans and the funding allocation from each council varies. Any surplus or deficit at the year end on local delivery is retained by the relevant council. At the end of 2018/19 the financial results for the Alliance are as follows:

Council	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance £m
East Ayrshire Council	8.075	7.646	(0.429)
South Ayrshire Council	7.120	6.360	(0.760)
Total	**15.195**	**14.006**	**(1.189)**

Detail	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance £m
Employee Costs	8.746	8.027	(0.719)
Premises Costs	0.599	0.555	(0.044)
Transport Costs	1.761	1.686	(0.075)
Supplies and Services	6.322	6.217	(0.105)
Third Party Payments	3.035	3.808	0.773
Debt Charges	0.465	0.356	(0.109)
Total Expenditure	**20.928**	**20.649**	**(0.279)**
Income	(5.733)	(6.643)	(0.910)
Net Expenditure	**15.195**	**14.006**	**(1.189)**

Strategic Delivery	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance £m	Amount Charged to South Ayrshire Council at Year End £m
East Ayrshire Council	2.008	1.658	(0.350)	n/a
South Ayrshire Council	2.040	1.897	(0.143)	(0.143)
Total	**4.048**	**3.555**	**(0.493)**	**(0.143)**

Local Delivery	Annual Estimate 2018/19 £m	Actual to 31/3/19 £m	Variance £m	Amount Charged to South Ayrshire Council at Year End £m
East Ayrshire Council	6.067	5.988	(0.079)	n/a
South Ayrshire Council	5.080	4.463	(0.617)	(0.617)
Total	**11.147**	**10.451**	**(0.696)**	**(0.617)**

NOTES TO THE ACCOUNTS

Note 31 – Accounting Policies

(A) General Principles

The Annual Accounts summarise the Council's transactions for the 2018/19 financial year and its position as at 31 March 2019. Relevant figures for the 2017/18 financial year are disclosed as appropriate for the purpose of comparison. 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 Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Accounting Code)* supported *by International Financial Reporting Standards* (IFRS). These are designed to give a "true and fair view" of the financial performance of the Council and its Group.

The fundamental qualitative characteristics of *Relevance*, *Materiality* and *Faithful Representation* have been considered alongside the following in the application of the accounting policies:

Accruals Basis: The non cash effects of transactions are included in the financial year in which they occur, not the period in which the cash is paid or received.

Going Concern: The functions of the Council and its Group Associates will continue in existence for the foreseeable future.

The accounting convention in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

(B) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Income includes all sums due to the Council for the year. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received. An appropriate provision has been made for bad and doubtful debts;
- Expenses (including services provided by employees) are recorded on an accruals basis. Where supplies are received and there is a gap between the date received and their consumption, they are carried as inventories on the Balance Sheet;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- 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.

(C) 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 mature within three months of the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. Cash and cash equivalents are shown in the Balance Sheet and Cash Flow Statement net of bank overdrafts repayable on demand and form an integral part of the Council's cash management.

(D) Material Items and Prior Period Adjustments

When items of income and expenditure are considered to be material to the understanding of the Council's financial performance, the nature and amount is disclosed in the CIES or in the notes to the accounts. Changes in accounting estimates are accounted for prospectively, prior period figures will not be restated. Changes in accounting policy are applied retrospectively and prior period figures will be restated.

(E) Charges to Revenue for Non Current Assets

Services are charged with the following to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible non current assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the Loans Fund principal, by way of an adjusting transaction between the General Fund and the Capital Adjustment Account within the MiRS.

(F) 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. An accrual is made for the cost of holiday entitlements or leave earned by employees but not taken before the year-end and which employees can carry forward into the next year.

Termination Benefits - These amounts are payable as a result of a decision to terminate employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged to the CIES when the Council is committed to a termination, when it has a detailed plan for the termination and it is without realistic possibility of withdrawal and agreement has been granted by Cabinet. 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, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits 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 - The Council participates in two pension schemes, the Local Government Pension Scheme, administered by Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. Both provide defined benefits to members (retirement lump sums and pensions) earned as employees. Although these benefits are not payable until employees retire, a commitment to make payment is disclosed at the time employees earn their future entitlement.

Arrangements for the Teachers' Scheme mean that liabilities for these benefits cannot be identified for the Council. The Scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education line in the CIES is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected 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 utilised by the actuaries to place a value on the liability. The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property. The change in net pensions liability is accounted for by IAS 19 Employee Benefits.

In relation to retirement benefits, Scottish Government regulations require the General Fund Balance to be charged with the amount payable to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, this means that there are

appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Discretionary Benefits - The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to staff 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.

(G) Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when the Council become party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES 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 that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Borrowings presented in the Balance Sheet comprise the outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure lines in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the CIES, 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 CIES 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 MiRS.

(H) Financial Assets

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 in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently measured at amortised cost. Credits to the Financing and Investment Income and Expenditure line in the 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 authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the loan agreement.

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

Expected Credit Loss Model - The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), 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 authority.

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.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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 inputs to 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 authority 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 asset.

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.

(I) Government Grants and Contributions

Government grants, 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 CIES until conditions attached to the grant or contribution have been satisfied. 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 CIES. In cases where the condition of grant cannot be satisfied by the Council, then the monies will be returned. Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MiRS. 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.

(J) Intangible Assets

Non Current

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events is capitalised when it is expected that it will bring benefits for more than a year. Intangible assets are initially measured at cost. Amounts are not revalued, as the fair value of the assets cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised

over its useful life to the relevant service in the CIES. Where expenditure qualifies as capital expenditure, amortisation, impairment losses and disposal gains are not permitted to have an impact on the General Fund Balance. Gains and losses are reversed in the MiRS and posted to the Capital Adjustment Account.

Current (Carbon Reduction Allowances)

Where allowances are purchased in a forecast sale (i.e. prospectively in April) for the purpose of settling current or future years' Carbon Reduction Commitment (CRC) responsibilities, the allowances are classified as Current Intangible Assets.

(K) Inventories

Consumable Stocks and Work-In-Progress are valued on a cost price basis except in the case of the Housing Revenue Account where average cost is used.

(L) 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 - Operating Leases: The Council rents various offices and buildings as tenant on a variety of lease terms that are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the CIES as an expense of the services benefiting from the use of the leased property over the term of the lease.

The Council as Lessor - Operating Leases: Where the Council grants an operating lease for a property or item of PPE, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. a premium is paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(M) Overheads and Support Services

Support services are shown in line with the Council's management structure. Overheads are charged to services on the basis of service accountability, financial performance and consumption.

(N) Property, Plant and Equipment (PPE)

PPE assets have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and are expected to be used during more than one financial year.

Recognition: Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Plant, furniture and computer equipment costing less than £6,000 are not treated as PPE and are charged to the appropriate service line in the CIES. This de-minimus does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Components of PPE are recognised separately for depreciation purposes where it is considered that the value of the component is significant in relation to the total asset value. The Council considers significant components being those with a value in excess of 20% of the overall value of the asset. Assets will be disregarded for component accounting where they have a carrying value of below £2m.

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. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are carried on the Balance Sheet using the following measurement bases:

- Infrastructure, community assets, and assets under construction: depreciated historical cost;
- Dwellings: fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Other assets: fair value, determined using amount paid for asset in existing use (existing use value).

Where there is no market based evidence of fair 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 have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but as a minimum every five years. The Council revalues its land and buildings in a five year rolling programme at 31 March. The valuations have been compiled by in-house RICS professional staff under the direction of the Depute Chief Executive and Chief Financial Officer. Surplus assets not held for sale are not exempt from depreciation. The Council's dwelling stock was revalued at 31 March 2019 in line with the revaluation policy.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains before that date have been consolidated into the Capital Adjustment Account.

Impairment: Officers of the Council, as part of their normal duties, report at the end of the financial year on any material events that affect the value of assets. 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 initially debited to the Revaluation Reserve up to the total value of any revaluation gains held for the individual asset. Thereafter impairment losses are recognised against the relevant service lines in the CIES. Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: is provided for on all PPE assets by the 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 certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation, where charged, has been applied on a straight line methodology based on the asset valuation, its remaining useful life and any residual value an asset is calculated to have. The useful economic lives over which assets are depreciated are:

- Council Dwellings 20-25 years
- Community Assets 20-25 years
- Operational Buildings 20-60 years
- Operational Equipment 2-20 years

The depreciation of Infrastructure Assets varies according to assets held, determined by asset condition.

Revaluation gains are depreciated with an amount equal to the difference between current value depreciation charged on assets and depreciation that would have been chargeable based on historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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 revalued 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 CIES. 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.

Property, land and buildings are classified as held for sale when the following criteria are met:

- The property is available for immediate sale in its present condition;
- The sale must be highly probable and an active programme to locate a buyer must have been initiated;
- The asset must be actively marketed for sale at a price reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year (although events or circumstances may extend the period to complete the sale beyond one year).

When these criteria are met, assets within the category of PPE will be reclassified to be Assets Held for Sale. The date of reclassification will normally follow the approval by Cabinet to sell the asset. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell. 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 in the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the CIES 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 disposals is not a charge against Council Tax, as the cost of non current 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 MiRS.

(O) Heritage Assets

The Code defines Heritage Assets as: "*Tangible (or intangible) assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for contribution to knowledge and culture*."

The Heritage Assets held by the Council are:

- The museum and art collections;
- The Council's archives and ephemera;
- The civic regalia;
- A number of public space statues, monuments and memorials, fountains and outdoor artworks.

Heritage Assets do not include:

- Works of art not held for knowledge or culture;
- Historic buildings used to provide services to the authority;
- Community assets, held primarily for current use.

Heritage Assets are presented separately from other PPE assets in the Balance Sheet and the notes identify the classes of such assets being reported at cost and those at valuation.

The valuation of Heritage Assets at 31 March is based upon information held in catalogues or inventories maintained within the Council and with the main collections of fine art, arms and militaria, manuscripts, musical instruments and tapestries valued at specific intervals by specialist valuers. The Council does not consider that reliable cost of valuation information can be obtained for the vast majority of remaining items held because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. A considerable number of heritage assets (such as collections that have primarily a scientific and cultural value rather than a financial one, public space, statues, monuments, memorials, fountains, and outdoor artworks) are not recognised in the Balance Sheet.

Heritage Assets are deemed to have indeterminate lives and high residual values. The Council does not consider it appropriate to charge depreciation on these assets.

(P) Public Private Partnership

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 PPP operator. As the Council is deemed to control the services that are provided under its schools PPP 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 assets under the contract as part of PPE on its Balance Sheet.

The original recognition of the schools PPP 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 PPP assets are revalued and depreciated in the same way as other non current assets owned by the Council. The amounts payable to the PPP operator each year are analysed into:

- The service charge element and life-cycle replacement costs, charged to Education in the CIES;
- The interest element, charged to Financing and Investment Income and Expenditure lines in the CIES;
- Contingent rent (increases in the amount to be paid for the property arising during the contract), charged to the Financing and Investment Income and Expenditure lines in the CIES;
- The repayment of the liability, applied to reduce the Balance Sheet liability owed to the operator.

(Q) Common Good

As part of the management arrangements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to these assets as the managing agent, the Common Good pays a nominal annual £1 fee to the Council (if asked) in return for the management of the asset. The Council remains responsible for all costs and income relating to the asset and is entitled to use of the asset. These funds do not represent assets available to the Council.

(R) Provisions and Contingent Liabilities

Provisions are made in accordance with the requirements of IAS37 Provisions, Contingent Liabilities and Contingent Assets. They are charged as an expense to services in the CIES when the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of relevant risks and uncertainties. When payments are made, they are charged to the provision. 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 Liabilities arise where an event has taken place that gives the Council a possible obligation 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 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 Liabilities (and Assets) are not recognised in the Balance Sheet but noted in the Accounts as appropriate.

(S) Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The Council participates in the Carbon Reduction Commitment Energy Efficiency Scheme. The second phase of the scheme ended on 31 March 2019. The Council purchases allowances, either prospectively or retrospectively, and surrenders them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost is recognised and reported in the cost of Council services, apportioned to services on the basis of energy consumption.

(T) Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of associates and jointly controlled entities requiring it to prepare group accounts. In the Council's own single entity accounts, such interests are not recorded as the Council has no shares in or ownership of any of these organisations.

(U) Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the MiRS. When expenditure to be met from a reserve is incurred, it is charged to the appropriate service in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure. Reserves are classified into Usable and Unusable.

Usable Reserves (which are available to support services): The General Fund Balance contains funds accumulated as part of the Council's Reserves Strategy. Renewal and Repairs Fund provides for the upkeep of specific assets held by the Council. The Capital Fund is used to meet the costs of capital investment in assets and for the repayment of the principal element of borrowings.

Unusable Reserves (which are unrealised and have a deferred impact on taxation): These reserves are kept to manage the accounting processes for non current assets, financial instruments and retirement benefits and do not represent usable resources for the Council.

The two reserves arising from capital accounting requirements are the Revaluation Reserve and Capital Adjustment Account. The former represents the gains on revaluation of non current 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 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 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 CIES.

The Accumulated Absences Reserve arises from IAS19 accounting disclosures for Short Term Accumulated Benefits and recognises the Council's liability for compensated absences earned by staff but not taken in the year. The Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Reserve.

(V) VAT

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

(W) Events after the Balance Sheet Date

Events after the Balance Sheet date are those that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Where the event is deemed to be an adjusting event the Annual Accounts are adjusted to reflect such events. Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

(X) Changes in Accounting Policy

A change in the 2018/19 Code of Practice has resulted in a change in accounting policy for the treatment of internal transactions. The Code no longer permits internal transactions to be included in the Comprehensive income and Expenditure Statement (CIES) as the service segments in the CIES are not intended to cover the reporting requirements for IFRS 8 (segmental reporting) and as a result, transactions between segments are not permitted in the service analysis section of the Statement.

Previously the Council has included transactions between Services within the CIES. As a result of this change, the 2017/18 comparative figures within the CIES and Expenditure and Funding Analysis have been restated. This has resulted in a reduction of £10.578m in both the gross expenditure and gross income reported in the CIES. The overall net impact is Nil.

Note 32 – Accounting Standards Issued not yet Adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are permitted. The Council is required to disclose the impact of an accounting change 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 2018/19 Code:

- IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low value and short term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020 and the Council is currently reviewing the impact for future years
- IAS40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. The Council does not currently hold investment properties
- IFRS9 Financial Instruments: introduces changes to the classification and measurement of financial assets and a new Expected Credit Loss Model for impairing financial assets. The impact would be to reclassify assets that are currently classified as loans and receivables and available for sale to amortised costs and fair value through other comprehensive income respectively based on the contractual cash flows and business model for holding the assets
- IFRIC22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment
- IFRIC23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty. This is not anticipated to have a significant impact on the Council.

With the exception of IFRS16 implementation is from 1 April 2019 and therefore there is no impact on the 2018/19 Annual Accounts.

Note 33 – Events after the Balance Sheet Date

The Council is required to disclose material matters that arise between the Balance Sheet date (31 March 2019) and the date when the Accounts are authorised for issue which took place at the Council meeting on 27 June 2019.

The Depute Chief Executive and Chief Financial Officer, being the responsible officer for the Council's affairs, signed the unaudited Annual Accounts on 27 June 2019. Subsequent events taking place after this date are not reflected in the Annual Accounts or notes.

Note 34 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 31, 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:

- Judgement was applied to assess the impact of the Council's involvement in opencast mines. After consideration and having regard to relevant legal outcomes, the appropriate accounting standards and subsequent tests it is considered that no liability rests with the Council.
- There is a high degree of uncertainty about future levels of funding for local government in Scotland. However, this uncertainty is not yet sufficient to provide an indication of assets that might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council has no investment properties. All PPE is used in the delivery of services for administrative purposes or as part of the Council's strategy for the economic regeneration of East Ayrshire.
- 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 25.
- Specialist judgement was applied by the Head of Collections in respect of the remaining heritage asset collections which were not subject to professional valuation. Judgement was based on expertise, knowledge and experience of the items in the collections.
- The Integration Joint Board has not been charged with support costs, capital or pension costs.

Note 35 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contain estimated figures that are based on assumptions about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require the Council to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £2.250m for each year that useful lives were reduced.
- Estimation of the net liability to pay pensions depends on a number of 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 assets. Strathclyde Pension Fund has engaged expert advice about the assumptions applied. The effects on the net pensions liability of changes in assumptions can be measured for instance, a 0.5% decrease in the real discount rate would result in an increase in the pension liability of £107.568m. However, the assumptions interact in complex ways. During 2018/19, the Pension Fund's actuaries advised our share of the net pension liability has increased by £72.900m.
- At 31 March 2019, the Council had an outstanding gross debtors balance of £13.442m. A review suggested that an allowance for doubtful debts of 41.49% (£5.577m) was appropriate. In terms of financial modelling a 1% increase in the allowance could lead to an additional cost of £0.134m.
- A number of Equal Pay claims have been received covering the period prior to the introduction of Single Status within the Council. Although these claims have still to be subject to Employment Tribunal hearings there remains some uncertainty and therefore provision has been made on the basis of potential estimated employee and Scottish Government liabilities. If the estimation is understated or additional claims are received then further funding may be required.
- The Council is deemed to control the services provided under PPP. The accounting policies have been applied and the assets under the contract are included within PPE on the Balance Sheet. In terms of financial modelling, indices are used and any increase in these indices above that set in the funding model will require the Council to identify and allocate additional funding to the Scheme.
- There is a high level of uncertainty about the implications of the UK leaving the European Union. At the current time there is the possibility of a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which option will occur and the impact on asset values and the discount rate. The assumption has been made that this will not significantly impair the value of Council assets or change the discount rate. However this will be reviewed going forward.

NOTES TO THE ACCOUNTS

Note 36 – Summarised Financial Information of Group Entities

The Council has an interest in a Common Good Fund, East Ayrshire Leisure Trust and several Joint Boards. The accounting year end for these entities is 31 March 2019. Full details are disclosed below.

The Common Good Fund has been consolidated in to the Group Statements as a 100% fully controlled subsidiary of the Council. Full details of the Common Good Fund are included on page 75. The group entities have been consolidated as follows:

- East Ayrshire Leisure Trust (consolidated as a Structured Entity)
- East Ayrshire Integration Joint Board (consolidated as a Joint Venture)
- Strathclyde Partnership for Transport (consolidated as an Associate)
- Strathclyde Concessionary Travel Scheme Joint Committee (consolidated as an Associate)
- Ayrshire Valuation Joint Board (consolidated as an Associate)

The Council's share of its Associates is as follows:

	Strathclyde Partnership for Transport £m	Strathclyde Concessionary Travel Scheme Joint £m	Ayrshire Valuation Joint Board £m	East Ayrshire Leisure Trust £m	Integrated Joint Board £m	Total Associates £m
Surplus/ (Deficit) on Operating Activities	0.640	(0.017)	(0.016)	(0.617)	1.067	**1.057**
Balance Sheet extract						
Non Current Assets	13.027	-	0.165	0.034	-	**13.226**
Current Assets	9.291	0.121	0.179	0.626	1.461	**11.678**
Non Current Liabilities	(3.670)	-	(0.183)	(0.738)	-	**(4.591)**
Current Liabilities	(1.372)	(0.049)	(0.032)	(0.484)	-	**(1.937)**
Net Assets	**17.276**	**0.072**	**0.129**	**(0.562)**	**1.461**	**18.376**

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of twenty nine members representing the twelve constituent unitary authorities in the West of Scotland plus other interested parties. Of the twenty nine members, twenty are nominated from Councils and between seven and nine are public appointments. East Ayrshire Council has one Elected Member on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.22%. SPT Accounts can be obtained by contacting the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Committee (SCTS)

The Committee comprises the twelve Councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the Councils. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.69%. A copy of the Annual Accounts for SCTS can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Ayrshire Valuation Joint Board (AVJB)

The AVJB is an independent public body formed in 1996 at local government reorganisation by Act of Parliament. The Council has no shares in, nor ownership of, the Board. The Board's running costs are met by the three Councils of East, North, and South Ayrshire. Surpluses or deficits on the Board's operation are shared between the three member Councils.

The Board maintains the electoral, council tax and non-domestic rates registers for East, North and South Ayrshire councils. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30%.

A copy of the Annual Accounts for the Joint Board can be obtained from the Treasurer to the Ayrshire Valuation Joint Board, South Ayrshire Council, County Buildings, Wellington Square, Ayr KA7 1DR.

East Ayrshire Leisure Trust

East Ayrshire Leisure Trust was established by the Council as a Scottish Charitable Incorporated Organisation to manage the range of leisure services agreed with the Council. The Trust became fully operational on 1 July 2013 and is responsible for its own governance and appointments to its board of Trustees. The Council has Member representation on the board of the Trust as part of the agreement establishing the Trust, as well as two non-voting positions. The Council provides funding to the Trust based on agreed service plans but does not have a controlling interest in the strategic direction or financial management of the organisation. East Ayrshire Council's allocation of this associate is based on representation to the Board. Five councillors from East Ayrshire Council act as Trustees on the Board out of a total of eleven Trustees and the percentage share is 45.45%. The Leisure Trust is treated as a structured entity within the group, responsible for risks arising from the payment of severance costs.

A copy of the Annual Accounts for the Leisure Trust can be obtained from the Chief Executive, East Ayrshire Leisure, Dower House, Dean Castle Country Park, Dean Road, Beansburn, Kilmarnock, East Ayrshire, KA3 1XB.

East Ayrshire Integration Joint Board (IJB)

The IJB is a statutory body established to integrate health and social care services between the Council and NHS Ayrshire and Arran and the contribution provided by the Council to the IJB in 2018/19 was £77.809m. The IJB Board comprises eight voting members with four made up of East Ayrshire councillors. The IJB is consolidated as a joint venture and therefore the percentage share is 50%. A copy of the Annual Accounts for the East Ayrshire Integration Joint Board can be obtained from the Chief Finance Officer, East Ayrshire Council, London Road, Kilmarnock, East Ayrshire, KA3 7BU.

Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Annual Accounts are contained in Note 31. The Accounting Policies of the Council and its Group Entities noted above are fully aligned with the exception of the period over which non current assets are depreciated.

Category of Asset	Period
Buildings	20 - 60 years
Infrastructure	Up to 120 years
Plant and Equipment	1 - 18 years
Vehicles	1 - 25 years

Inventories

Valuation methods vary slightly across the group with the Council and East Ayrshire Leisure Trust using the lower of cost or net realisable value. None of the other bodies in the group hold inventories.

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2017/18 £m		2018/19 £m
	Income	
(43.856)	Dwelling Rents	(43.953)
(0.350)	Non Dwelling Rents	(0.344)
(0.987)	Any Other Income	(0.953)
0.320	Elimination Of Internal Recharges	0.419
(44.873)	**Total Income**	**(44.831)**
	Expenditure	
14.355	Repairs and Maintenance	15.610
10.354	Supervision and Management	10.806
22.356	Depreciation and Impairment of Non Current Assets	36.573
0.485	Bad and Doubtful Debts	0.664
1.427	Any Other Expenditure	1.493
(0.320)	Elimination Of Internal Recharges	(0.419)
48.657	**Total Expenditure**	**64.727**
3.784	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**19.896**
0.590	**HRA Share of Corporate and Democratic Core**	**0.592**
0.029	**HRA Share of Non Distributed Costs**	**1.332**
4.403	**Net Cost of HRA Services**	**21.820**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(1.997)	Capital Grants and Contributions Receivable	(7.148)
(1.997)	**Income**	**(7.148)**
0.666	(Gain) or Losses on Disposals of Assets	7.657
0.666	**Expenditure**	**7.657**
(1.331)	**HRA Share of Other Operating Expenditure**	**0.509**
	Investment	
(2.060)	Expected Return on Pension Assets	(2.230)
(2.060)	**Income**	**(2.230)**
(2.060)	**HRA Share of Investment Income**	**(2.230)**
	Financing	
(0.129)	Interest and Investment Income	(0.194)
(0.129)	**Income**	**(0.194)**
2.691	Pension Interest Cost	2.556
4.530	Interest Payable and Similar Charges	4.279
7.221	**Expenditure**	**6.835**
7.092	**HRA Share of Net Finance Expenditure**	**6.641**
8.104	**(Surplus) /Deficit on the HRA**	**26.740**

MOVEMENT ON THE HRA AND NOTES

The following table takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the in-year surplus on the HRA Balance, calculated in accordance with the requirements of the 1987 Act.

2017/18 £m		2018/19 £m
(12.399)	**Balance on the HRA brought forward**	(13.049)
8.104	(Surplus) or Deficit on the HRA	26.740
(8.754)	Adjustments between accounting basis and funding basis under statute	(27.651)
(0.650)	**Net (Increase) or Decrease before transfers to / from Reserves**	**(0.911)**
-	**Transfers to/ from Reserves**	**-**
(0.650)	**(Increase)/ Decrease on the HRA Balance for the Year**	**(0.911)**
(13.049)	**Balance on the HRA carried forward**	**(13.960)**

Further details of the adjustments between accounting basis and funding basis under statute for the HRA are included in the Movement in Reserves Statement on page 27 for 2018/19 and are shown as Adjustments relating to Pensions, Capital and Other Items.

Note 37 - Notes to the Housing Revenue Account

Housing Stock

The number and types of dwelling in the Council's housing stock is as follows:

31 March 2018		31 March 2019		
Total		**Flats**	**Houses**	**Total**
2,433	One Bedroom	1,542	787	**2,329**
6,310	Two Bedroom	3,129	3,036	**6,165**
3,441	Three Bedroom	551	2,874	**3,425**
256	Four Bedroom	15	242	**257**
4	Five Bedroom	2	2	**4**
12,444	**Total**	**5,239**	**6,941**	**12,180**

Rental Information and Loss on Void Properties

The amount of rent arrears and the provision considered necessary in respect of uncollectable debts is shown in the following table:

2017/18		2018/19
£70.76	Average Weekly Rent (52 weeks)	£71.90
3.60%	Current Rent Arrears (as % of Rent Collectable)	3.90%
£2.760m	Total Rent Arrears	£2.659m
£2.336m	Provision for Bad Debt	£2.174m

The Council is required to disclose the loss on void properties and in 2018/19 this amounted to £2.507m. The comparator figure for 2017/18 was £2.505m.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the CIES.

2017/18 £m		2018/19 £m
63.516	**Gross Council Tax levied and contributions in lieu**	**65.898**
	Deduct:	
(8.733)	Council Tax Reduction	(8.779)
(7.848)	Other discounts and reductions	(7.952)
(1.779)	Provision for bad and doubtful debts	(1.865)
0.836	Adjustments to previous years Council Tax and Community Charge	0.701
45.992	**Net Council Tax Income Transferred to General Fund**	**48.003**

Occupiers of domestic properties are liable to pay Council Tax. This is a tax levied by local authorities on domestic properties within their area. Dwellings fall within a valuation band 'A' to 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2018/19 was £1,261.40 (2017/18 £1,224.66). Properties can be exempt if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over. The discount is 50% where the property is not the sole or main residence of any person.

BAND	2018/19 £ per year
A	840.93
B	981.09
C	1,121.24
D	1,261.40
E	1,657.34
F	2,049.78
G	2,470.24
H	3,090.43

Note 38 – Calculation of the Council Tax base

2017/18 Total	Bands	A(d)	A	B	C	D	E	F	G	H	2018/19 Total
57,873	Properties		26,290	9,382	5,192	6,669	6,244	3,354	979	48	**58,158**
(1,537)	Exemptions		(1,200)	(247)	(139)	(98)	(65)	(23)	(7)	(4)	**(1,783)**
-	Disabled Reliefs	88	(14)	(42)	19	33	(52)	(20)	(12)	0	**-**
(21,927)	Discounts (25%)	(30)	(12,985)	(3,632)	(1,870)	(1,777)	(1,243)	(471)	(88)	(4)	**(22,100)**
(1,121)	Discounts (50%)	0	(567)	(154)	(104)	(86)	(65)	(27)	(18)	(4)	**(1,025)**
50,294	**Total equivalent**	81	21,546	8,108	4,553	6,117	5,784	3,180	929	41	**50,339**
	Ratio	5/9	6/9	7/9	8/9	9/9	12/9	15/9	18/9	22/9	
45,325	**Band 'D' equivalent**	**45**	**14,364**	**6,306**	**4,048**	**6,117**	**7,600**	**5,168**	**1,819**	**100**	**45,567**
(7,202)	Council Tax Reduction	(20)	(4,672)	(1,226)	(524)	(352)	(266)	(85)	(27)	0	**(7,172)**
38,123	**Band 'D' equivalent after CTR**	**25**	**9,692**	**5,080**	**3,524**	**5,765**	**7,334**	**5,083**	**1,792**	**100**	**38,395**
(1,250)	Bad debt provision										**(1,225)**
36,873											**37,170**

NON-DOMESTIC RATE ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the National Non-Domestic Rate pool.

2017/18 £m		2018/19 £m
38.883	**Gross rates levied and contributions in lieu**	**40.993**
	Deduct:	
(10.523)	Reliefs and reductions	(11.465)
(0.832)	Provision for bad and doubtful debts	(0.835)
27.528	**Net Non-Domestic Rate Income**	**28.693**
(0.911)	Prior year pool	0.199
2.750	Contributions (to)/ from National Non-Domestic Rate Pool	(2.819)
29.367	**Income credited to the Comprehensive Income and Expenditure Statement**	**26.073**

Note 39 – Analysis of Rateable Values

	Number	£m
Shops	1,092	22.331
Industrial & Freight Transport Subjects	950	14.198
Offices (including Banks)	564	6.846
Other	264	2.028
Public Service Subjects	215	6.176
Leisure, Entertainment, Caravans and Holiday Sites	186	3.754
Garages and Petrol Stations	143	1.396
Public Houses	101	2.419
Religious	90	0.792
Health Medical	70	4.753
Education and Training	68	9.760
Care Facilities	48	2.287
Advertising	26	0.071
Cultural	27	0.474
Hotels, Boarding Houses, etc.	26	1.304
Undertaking	23	0.632
Sporting Subjects	377	0.498
Quarries, Mines, etc.	5	0.822
Petrochemical	2	0.224
	4,277	**80.765**

Note 40 – Nature and Amount of NDR Rate Fixed

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Government. The National Non-Domestic Rate poundage set by the Scottish Government for 2018/19 was 48p, with a large business supplement of 2.6p.

REMUNERATION REPORT

All information disclosed in the tables in this Remuneration Report will be audited by Deloitte LLP. All other sections of the Remuneration Report will be reviewed by Deloitte LLP to ensure that they are consistent with the financial statements.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended. The Regulations govern the remuneration arrangements for Leaders, Provosts and Senior Councillors. A Senior Councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

For 2018/19 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £33,992. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them at £25,494.

The Regulations also set out the remuneration that may be paid to Senior Councillors, other than the Leader of the Council and the Provost, and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council (i.e. 75% of £33,992 = £25,494). The total yearly amount payable by the Council for remuneration of all of its Senior Councillors, excluding remuneration to the Leader of the Council and the Provost, shall not exceed £0.297m. Subject to a maximum number of 14 Senior Councillors, the Council is able to exercise flexibility in the determination of the precise number of Senior Councillors and their salary within these limits.

In 2018/19 East Ayrshire Council appointed 12 Senior Councillors and the remuneration paid to these councillors, excluding remuneration to the Leader of the Council and the Provost totalled £0.297m. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £0.356m. 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.

The Council Members' Salaries and Expenses Scheme was last agreed at a meeting of the full Council on 29 June 2017. The annual return of Members Expenses is available at www.east-ayrshire.gov.uk.

Remuneration of Councillors

2017/18		2018/19
£m		£m
0.658	Salaries	0.668
0.020	Expenses	0.019
0.678	**Total**	**0.687**

In addition to Senior Councillors, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of Joint Boards. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice-Convenor is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

REMUNERATION REPORT

The table below excludes pension contributions, disclosed as part of the pension benefits disclosure:

Total Remuneration 2017/18 (Note 2)	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits in kind	Total Remuneration 2018/19
£			£	£	£	£
20,560	F Campbell	Senior Councillor	24,781	-	-	24,781
23,754	T Cook	Leader of the Conservative Group	24,781	-	-	24,781
20,560	B Douglas	Chair of Governance and Scrutiny Committee	24,781	-	-	24,781
20,560	G Jenkins	Senior Councillor	24,781	-	-	24,781
20,144	C Leitch	Depute Provost	24,281	-	-	24,281
23,695	I Linton	Senior Councillor	24,781	-	-	24,781
20,560	J McGhee	Leader of the Labour Group	24,781	-	-	24,781
20,560	N McGhee	Senior Councillor	24,781	-	-	24,781
20,560	J McMahon	Senior Councillor	24,781	-	-	24,781
20,560	C Maitland	Senior Councillor	24,781	-	-	24,781
32,456	D Reid	Leader of the Council	33,987	-	-	33,987
23,695	J Roberts	Senior Councillor	24,781	-	-	24,781
24,342	J Todd	Provost	25,490	-	-	25,490
24,111	E Whitham	Depute Leader	26,203	-	-	26,203
3,593	J McFadzean	Vice-Convenor Ayrshire Valuation Joint Board	4,233	-	-	4,233
319,710			**362,004**	**-**	**-**	**362,004**

Note 1: Further details for 2018/19 at: https://www.east-ayrshire.gov.uk/Resources/PDF/M/Members-Expenses-2018-19.pdf
Note 2: Details of Senior Councillors who left the Council during 2017/18 can be found at:
https://www.east-ayrshire.gov.uk/Resources/PDF/F/FINAL-Audited-Statements-17-18.pdf

Remuneration of Senior Employees of the Council

The remuneration of senior employees is also set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/150 sets the amount of salary for the Chief Executive of the Council for the year ended 31 March 2019. The salaries of the Chief Officers were reviewed as part of the Council's management restructure approved by Cabinet on 29 October 2014. The Council does not pay bonuses or performance related pay. Chief Officers are entitled to reimbursement for business travel and business related costs in accordance with amounts agreed nationally by the SJNC or as approved by the Council. Chief Officers are eligible to join the Local Government Pension Scheme.

The Remuneration of Senior Officers of the Council disclosure noted below has been compiled in accordance with the requirements of the Local Government Finance Circular No 8/2011: Local Authority Accounts – The Remuneration Report.

Total Remuneration 2017/18	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Compensation for Loss of Employment	Total Remuneration 2018/19
£			£	£	£	£
129,133	F Lees	Chief Executive	127,589	-	-	127,589
111,962	A McPhee	Depute Chief Executive and Chief Financial Officer	112,086	-	-	112,086
110,505	C McAleavey	Depute Chief Executive: Safer Communities (Note 1)	25,511	-	-	25,511
-	K Kelly	Depute Chief Executive: Safer Communities (Note 1)	109,082	-	-	109,082
110,505	E Fraser	Director of Health & Social Care Partnership (Note 2)	112,086	-	-	112,086
89,820	D Mitchell	Chief Governance Officer	90,307	-	-	90,307
551,925			**576,661**	**-**	**-**	**576,661**

Note 1: The Depute Chief Executive: Safer Communities retired from the Council on 10 June 2018; the full year remuneration of this post is £112,086.
Note 2: The Director of Health and Social Care Partnership is the Chief Officer of the Integration Joint Board (IJB). These costs are replicated in the IJB Accounts.

REMUNERATION REPORT

Remuneration of Employees receiving more than £50,000

The Council is required to disclose information on the number of employees whose remuneration was £50,000 or more in 2018/19. In accordance with the disclosure requirement of the Regulations, the information in the table which follows shows the number of employees in bands of £5,000 and includes the senior employees who are subject to the full disclosure requirements.

		Number of Employees			
2017/18 Total	Remuneration band	2018/19 Officers	2018/19 Teachers	2018/19 Total	Left During Year
86	£50,000 – £54,999	59	54	**113**	1
30	£55,000 – £59,999	20	20	**40**	-
20	£60,000 – £64,999	15	2	**17**	-
1	£65,000 – £69,999	5	3	**8**	1
-	£70,000 – £74,999	-	2	**2**	-
3	£75,000 – £79,999	-	3	**3**	-
8	£80,000 – £84,999	8	1	**9**	-
4	£85,000 – £89,999	-	-	**-**	-
-	£90,000 – £94,999	4	-	**4**	-
-	£95,000 – £99,999	-	-	**-**	-
-	£100,000 – £104,999	-	-	**-**	-
-	£105,000 – £109,999	1	-	**1**	-
3	£110,000 – £114,999	2	-	**2**	-
-	£115,000 – £119,999	-	-	**-**	-
-	£120,000 – £124,999	-	-	**-**	-
1	£125,000 – £129,999	1	-	**1**	-
1	£130,000 – £134,999	-	-	**-**	-
157		**115**	**85**	**200**	**2**

Pension Benefits

Pension benefits for councillors and employees (excluding teachers) are provided through the Local Government Pension Scheme. This is a contributory scheme with employee contributions of between 5.5% and 12.0% dependent on salary. Membership of the pension scheme is voluntary and not all councillors and employees are members. Councillors' pension benefits are based on career average pay and pay for each year or part year ending 31 March is adjusted for the increase in the cost of living, as measured by the appropriate indices. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this was a final salary pension scheme up to 31 March 2015. For service from 1 April 2015 employees are in a career revalued actual pension scheme and each year an amount of pension is earned that is then revalued for inflation until retirement.

At retirement members may opt to commute pension for a lump sum up to the limit set by the Finance Act 2004. The current accrual rate is 1/49th of final pensionable salary. 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 full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

REMUNERATION REPORT

Senior Councillors

The table shows pension entitlements and the contributions made by the Council.

Name and Position Held	In-year Pension Contributions For year to 31 March 2019 £	For year to 31 March 2018 £ (Note 1)		Accrued Pension Benefits As at 31 March 2019 £000	Difference from 31 March 2018 £000
T Cook	4,783	4,714	Pension	6	1
Leader of the Conservative Group			Lump Sum	2	-
B Douglas	4,783	3,968	Pension	1	1
Chair of Governance and Scrutiny Committee			Lump Sum	-	-
C Leitch	4,686	3,888	Pension	1	1
Depute Provost			Lump Sum	-	-
I Linton	4,783	4,702	Pension	6	1
Senior Councillor			Lump Sum	2	-
J McGhee	4,783	3,968	Pension	4	-
Leader of the Labour Group			Lump Sum	1	-
N McGhee	4,783	3,968	Pension	4	-
Senior Councillor			Lump Sum	1	-
J McMahon	4,783	3,968	Pension	1	1
Senior Councillor			Lump Sum	-	-
C Maitland	4,783	3,968	Pension	1	1
Senior Councillor			Lump Sum	-	-
D Reid	6,559	6,398	Pension	7	-
Leader of the Council			Lump Sum	3	-
J Roberts	4,783	3,665	Pension	1	1
Senior Councillor			Lump Sum	-	-
J Todd	4,920	4,828	Pension	6	1
Provost			Lump Sum	2	-
E Whitham	4,879	4,783	Pension	2	1
Depute Leader			Lump Sum	-	-
J McFadzean	817	693	Pension	-	-
Vice-Convenor Ayrshire Valuation Joint Board			Lump Sum	-	-
Total	**60,125**	**53,511**			

Note 1 The Accrued Pension Benefits figures have been provided by Strathclyde Pension Fund.
Note 2 Councillors F Campbell and G Jenkins are not members of the Strathclyde Pension Fund.
Note 3 Pension details of Senior Councillors who left the Council during 2017/18 can be found at:
https://www.east-ayrshire.gov.uk/Resources/PDF/F/FINAL-Audited-Statements-17-18.pdf

Senior Employees

The pension entitlements and the contributions made by the Council are shown in the following table and relate to the benefits that the person has accrued in respect of their total local government service and not just their current appointment. Contribution levels are set by Strathclyde Pension Fund.

Name and Post Title	In-year Pension Contributions For year to 31 March 2019 £	For year to 31 March 2018 £		Accrued Pension Benefits As at 31 March 2019 £000	Difference from 31 March 2018 £000
F Lees	24,625	24,795	Pension	74	3
Chief Executive			Lump Sum	150	2
A McPhee	21,633	21,327	Pension	62	3
Depute Chief Executive and Chief Financial Officer			Lump Sum	125	2
C McAleavey	4,924	21,327	Pension	64	-
Depute Chief Executive: Safer Communities			Lump Sum	138	-
K Kelly	21,053	17,050	Pension	43	43
Depute Chief Executive: Safer Communities			Lump Sum	72	72
E Fraser	21,633	21,327	Pension	50	3
Director of Health and Social Care Partnership			Lump Sum	89	1
D Mitchell	17,429	17,126	Pension	39	3
Chief Governance Officer			Lump Sum	66	1
Total	**111,297**	**122,952**			

REMUNERATION REPORT

Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. Exit package values include redundancy, pension strain, and compensatory lump sum for all retirees. The values also include the notional capitalised cost of compensatory added years ("added years"). These are based on an assessment by the pension's provider of the present value of all future payments to the retiree until death. The number of exit packages with total cost per band and cost of the compulsory and other redundancies are set out below. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. In 2018/19 £0.142m was approved either by Cabinet or under the Head of Human Resources' delegated authority.

2017/18						2018/19				
	Compulsory Redundancies		Other Departures				Compulsory Redundancies		Other Departures	
No	Cash Value	Notional CAY Value	Cash Value	Notional CAY Value	Exit Packages Bands	No	Cash Value	Notional CAY Value	Cash Value	Notional CAY Value
	£000	£000	£000	£000			£000	£000	£000	£000
12	-	-	71	3	£0 – £20,000	3	-	-	16	19
6	-	-	153	13	£20,001 – £40,000	-	-	-	-	-
2	-	-	79	11	£40,001 – £60,000	1	-	-	43	-
-	-	-	-	-	£60,001 – £80,000	-	-	-	-	-
1	-	-	96	-	£80,001 – £100,000	1	-	-	83	-
1	-	-	47	52	£100,001 – £150,000	-	-	-	-	-
22	**-**	**-**	**446**	**79**		**5**	**-**	**-**	**142**	**19**

The CAY values in the table above are not based on actual costs but instead use actuarial assumptions on pensioner longevity and other factors and as such will be subject to change and will not reflect actual costs incurred.

Trade Union Facility Time Statement

Under the Trade Union (Facility Time Publication Requirements) Regulation 2017, the Council is required to collect and publish data in relation to its usage and spend of trade union facility time in respect of employees who are trade union representatives. These disclosures are not subject to testing as part of the year-end audit. Full details for the period 1 April 2018 to 31 March 2019 are available on the Council website at https://www.east-ayrshire.gov.uk/JobsAndCareers/EqualityinEmployment.aspx.

Councillor Douglas Reid
Leader of the Council
24 September 2019

Fiona Lees
Chief Executive
24 September 2019

COMMON GOOD ACCOUNT

Common Good is used to denote property of the former Burghs and was reserved for purposes which promoted the general good of the inhabitants. The Council administers these Funds but they are not Council assets and are not included in the Balance Sheet.

Movement in Reserves Statement for the Year ended 31 March 2019

2017/18 Usable Reserve: Capital and Revenue £m	2017/18 Unusable Reserves : Revaluation Reserve £m	2017/18 Total Reserves £m		2018/19 Usable Reserve: Capital and Revenue £m	2018/19 Unusable Reserves: Revaluation Reserve £m	2018/19 Total Reserves £m
0.377	**8.919**	**9.296**	**Balance as at 31 March 2018**	**0.379**	**8.653**	**9.032**
(0.275)	-	**(0.275)**	Surplus/ (Deficit) on Provision of Services	(0.271)	-	**(0.271)**
-	0.011	**0.011**	Surplus/ (Deficit) on Revaluation of Non Current Assets	-	(0.027)	**(0.027)**
0.277	(0.277)	-	Depreciation of Non Current Assets	0.273	(0.273)	-
0.379	**8.653**	**9.032**	**Balance as at 31 March 2019**	**0.381**	**8.353**	**8.734**

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2019

2017/18 Expenditure £m	2017/18 Income £m	2017/18 Net £m		2018/19 Expenditure £m	2018/19 Income £m	2018/19 Net £m
0.277	-	**0.277**	Net Cost Of Services	0.273	-	**0.273**
-	(0.002)	**(0.002)**	Interest and Investment Income	-	(0.002)	**(0.002)**
		0.275	**(Surplus) or Deficit**			**0.271**
		(0.011)	Surplus/ (Deficit) on the Revaluation of Non Current Assets			**0.027**
		0.264	**Total Comprehensive (Income)/ Expenditure**			**0.298**

Balance Sheet at 31 March 2019

2017/18 £m		2018/19 £m
8.653	Property Plant and Equipment	8.353
8.653	**Non Current Assets**	**8.353**
0.379	Short Term Investments - Loans Fund	0.381
0.379	**Current Assets**	**0.381**
9.032	**Net Assets**	**8.734**
0.379	Usable Reserves: Capital and Revenue Reserves	0.381
8.653	Unusable Reserves: Revaluation Reserve	8.353
9.032	**Net Reserves**	**8.734**

Notes – Property Plant and Equipment (Other Land and Buildings)

Cost or Valuation:	Darvel £m	Newmilns £m	Cumnock £m	Kilmarnock £m	Total £m
At 1 April 2018	**1.276**	**0.081**	**1.151**	**7.249**	**9.757**
Revaluations	-	(0.045)	-	-	**(0.045)**
At 31 March 2019	**1.276**	**0.036**	**1.151**	**7.249**	**9.712**
Depreciation and Impairment:					
At 1 April 2018	**(0.155)**	**(0.018)**	**(0.136)**	**(0.795)**	**(1.104)**
Depreciation charge	(0.039)	0.018	(0.035)	(0.199)	**(0.255)**
At 31 March 2019	**(0.194)**	**-**	**(0.171)**	**(0.994)**	**(1.359)**
Net Book Value at 31 March 2018	**1.121**	**0.063**	**1.015**	**6.454**	**8.653**
Net Book Value at 31 March 2019	**1.082**	**0.036**	**0.980**	**6.255**	**8.353**

TRUSTS AND BEQUESTS

The Council administers a number of charitable funds registered with the Office of the Scottish Charities Regulator. These are not assets available to the Council and are not included in the Balance Sheet. The Trusts produce separate annual accounts, published at www.oscr.org.uk.

2017/18 Capital Fund £	2017/18 Revenue Fund £	2017/18 Total Funds £	Fund Balances	2018/19 Capital Fund £	2018/19 Revenue Fund £	2018/19 Total Funds £
34,020.91	**361,277.84**	**395,298.75**	**Opening Balances at 1 April 2018**	**34,020.91**	**320,107.98**	**354,128.89**
-	(42,838.58)	**(42,838.58)**	Expenditure	-	(54,688.70)	**(54,688.70)**
-	1,668.72	**1,668.72**	Income	-	1,446.79	**1,446.79**
-	**(41,169.86)**	**(41,169.86)**	**Surplus/ (Deficit)**	**-**	**(53,241.91)**	**(53,241.91)**
34,020.91	**320,107.98**	**354,128.89**	**Closing Balance at 31 March 2019**	**34,020.91**	**266,866.07**	**300,886.98**

2017/18 £	Balance Sheet as at 31 March 2019	2018/19 £
1,030.00	Investments - External	1,030.00
353,098.89	Investments - Loans Fund	299,856.98
354,128.89		**300,886.98**
	Financed By:	
34,020.91	Capital Funds	34,020.91
320,107.98	Revenue Funds	266,866.07
354,128.89	**Closing Balance at 31 March 2019**	**300,886.98**

Name	Origin and Purpose	Loans Fund £	External Investment £	Total £
Archibald Taylor Fund (SC019308)	To provide special nursing or convalescent treatment or a holiday during convalescence	262,368.70	-	262,368.70
Mrs E McWhirter Trust (SC025073)	To maintain burial grounds at Dalmellington	765.94	1,030.00	1,795.94
Miss Annie Smith Mair Bequest (SC021095)	To assist persons from Newmilns and Greenholm	36,722.34	-	36,722.34
		299,856.98	**1,030.00**	**300,886.98**

The Council also administers 33 Trusts which are not registered with OSCR. The combined income of these Trusts in 2018/19 was £779 and expenditure was £250. The total assets of the Trusts at 31 March 2019 were £180,640.

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of East Ayrshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure & Funding Analysis, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement, Council Tax Income Account, Non-Domestic Rate Account, Common Good Account, and the Trusts and Bequests, and any other disclosures presented as financial statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Chief Financial Officer and East Ayrshire Council for the financial statements

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

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

110 Queen Street

Glasgow

G1 3BX

United Kingdom

24 September 2019

GLOSSARY OF TERMS

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

Accumulated Absence Account. This absorbs the differences which would otherwise arise from accruing for compensated absences earned but not taken in the year, such as annual leave entitlement. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to and from this Account.

Actuarial Gains and Losses (Pensions). 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 or losses) or the actuarial assumptions have changed.

Amortised Cost. A mechanism that sees through contractual terms to measure the real cost that the Council bears each year from entering a financial liability.

Assets Held for Sale. Assets which meet the following criteria are classified as 'Held for Sale': assets are available for immediate sale in their present condition and location; the sale is expected to be completed within 12 months of being classified as 'Held for Sale'; management are committed to the asset selling plan; and active marketing to support the sale exists.

Associate. An associate is an entity, including an unincorporated entity such as a partnership, over which the Council has significant influence.

Available for Sale Financial Assets. Non-derivative financial assets not classified as Loans and Receivables, Held to Maturity Investments or Financial Assets at Fair Value through Income and Expenditure. Any changes in the fair value of these assets are held in the Available for Sale Financial Instruments Reserve.

Available for Sale Financial Instrument Reserve. An unusable reserve which contains the gains made by the Council arising from increases in the value of its Available for Sale Financial Assets. The balance is reduced when investments with accumulated gains are revalued downwards or disposed of.

Capital Expenditure. Expenditure on the acquisition of a non current asset or expenditure which adds to, and not merely maintains, the value of an existing non current asset.

Capital Financed from Current Revenue (CFCR). This relates to revenue resources used to pay for capital projects.

Capital Adjustment Account. This provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital controls system.

Capital Fund. A Fund which is credited with all net capital receipts, except where they are related to a specific project, together with any in-year debt charge surpluses arising from slippage in the capital programme and is used to meet the costs of capital investment in assets and the repayment of the principal element of borrowing.

Capital Financing Cost. This represents the annual cost of financing the sums borrowed by the Council to fund capital programmes, being the repayment of debt, interest on monies borrowed and expenses incurred in managing the debt portfolio.

Capital Grant Unapplied Account. This contains any capital grants or contributions which have been received where the related capital expenditure has not yet been incurred and will be released to meet the costs of that capital expenditure as appropriate.

Common Good. Denotes all property of the former Burghs not acquired under statutory powers or held under special trusts and reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh.

Community Assets. Assets that the local authority intends to hold in perpetuity which have no determinable useful life and which may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Contingency. A condition which exists at the balance sheet date where the outcome will be confirmed only on the occurrence, or non-occurrence, of one or more uncertain future events.

Contributions paid to the Strathclyde Pension Fund. Cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense under accounting conventions.

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

Curtailments (Pensions). An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Depreciation. The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset whether arising from use, passage of time or obsolescence through technological or other changes.

Depreciated Historic Cost. The historic cost of a particular asset less the depreciation written off over the life of that asset to date.

Depreciated Replacement Cost. The replacement cost of a particular asset less the depreciation written off over the life of that asset to date.

Existing Use Value. The market value of a particular Council dwelling less the difference between the average rental income between public and private sector dwellings.

Expected Rate of Return on Pension Assets. The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value. This is the price at which an asset could be exchanged in an arms length transaction less any grants receivable towards the purchase or use of the asset.

Faithful Representation. Information contained within the Annual Accounts must be complete (within the bounds of materiality and cost), and free from bias and material error. The extent to which information has been estimated and judgements made have been reported.

Financial Asset. A right to future economic benefits controlled by the Council that is represented by cash, an equity instrument of another entity, a contractual right to receive cash from another entity or a financial right to exchange financial instruments under conditions that are potentially favourable to the Council.

Financial Instrument. Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

GLOSSARY OF TERMS

Financial Instruments Adjustment Account. This holds the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund balance**.**

Financial Liability. An obligation to transfer economic benefits controlled by the Council that is represented by a contractual obligation to deliver cash or another financial asset to another entity or a contractual obligation to exchange financial instruments under conditions which are potentially unfavourable to the Council.

Financial Reporting Standard (FRS). Financial Reporting Standards are issued by the Accounting Standards Board and define proper accounting practice for a given transaction or event.

Gains/ Losses on Settlements and Curtailments. The result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is charged or credited to Non Distributed Costs in the Comprehensive Income and Expenditure Statement.

General Fund Balance. This contains the net surplus on the provision of Council services combined with any balances from previous years and any contributions to other funds or reserves made during the year.

Group Accounts. The purpose of group accounts is to show the Council's interest in organisations and companies within the Annual Accounts. The Council's shares of the assets and liabilities of these other entities are shown in the Group Movement in Reserves Statement, Comprehensive Income and Expenditure Statement and Group Balance Sheet.

Government Grants. Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past, or future, compliance with certain conditions relating to the activities of the authority.

Heritage Assets. Assets which are intended to be preserved in trust for future generations because of their cultural, environmental and historical associations and are held by the Council for the maintenance of heritage.

HRA Balance. This contains the net surplus in relation to the management of the Council's housing stock combined with any balances from previous years and any contributions to other funds or reserves made during the year.

International Accounting Standards (IAS). International Accounting Standards are issued by the International Accounting Standards Board and define proper accounting practice for a given transaction or event. IAS's take precedence over other accounting standards in the hierarchy of technical accounting standards.

Impairment. A reduction in the value of a non current or financial asset below the valuation held on the balance sheet.

Infrastructure Assets. Non current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets. Non-financial assets which do not have physical substance but are identifiable and are controlled by the Council.

Interest Cost (Pensions). The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories. Inventories may comprise the following: goods or other assets purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances; and finished goods.

Joint Venture. A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Liquid Resources. Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Materiality. Information is included where the information is of such significance as to justify its inclusion, and omission or misstatement could, individually or collectively, influence the decisions or assessment of users made on the basis of the Annual Accounts.

National Non-Domestic Rates Pool. All non-domestic rates collected by local authorities are remitted to the national pool and, thereafter, distributed to Councils by the Scottish Government.

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 cumulative amounts provided for depreciation.

Net Realisable Value. The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

Non Current Assets. Non Current assets are not expected to be realised within 12 months and are held to provide future economic benefits to the Council.

Non Operational Assets. Are assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Officers' Remuneration. All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax).

Operating Leases. A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

Operating Assets. All items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Past Service Costs (Pensions). The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

GLOSSARY OF TERMS

Pensions Reserve. The Pensions Reserve absorbs the timing differences arising from different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Prior Period Adjustments. Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Public Private Partnerships (PPP). These partnerships enable the council to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the building or refurbishment of the assets.

Related Party Transactions. A related party transaction is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether a charge is made.

Relevance. Providing information about the Council's financial position, performance and cash flows that is useful for assessing the stewardship of public funds and for making economic decisions.

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

Renewal and Repairs Fund. This contains funds credited at the Council's discretion from the HRA and General Fund and is available for use on capital or revenue expenditure on Council assets.

Revaluation Reserve. Records unrealised gains arising since 1 April 2007 from holding non current assets not yet realised through sales.

Scottish Futures Trust (SFT). An infrastructure delivery company owned by the Scottish Government.

Specific Government Grants. These are grants received from Central Government in respect of a specific purpose or service.

Subsidiary. An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

Unusable Reserves. Those reserves which hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences.

Usable Reserve. Those reserves which 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.

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

This information can be made available, on request, in braille, large print or audio formats and can be translated into a range of languages. Contact details are provided below.

درخواست کرنے پر یہ معلومات نابینا افراد کے لئے اُبھرے حروف، بڑے حروف یا آڈیو میں مہیا کی جاسکتی ہے اور اسکا مختلف زبانوں میں ترجمہ بھی کیا جاسکتا ہے۔ رابطہ کی تفصیلات نیچے فراہم کی گئی ہیں۔

本信息可应要求提供盲文，大字印刷或音频格式，以及可翻译成多种语言。以下是详细联系方式。

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ਇਹ ਜਾਣਕਾਰੀ ਮੰਗ ਕੇ ਬੋਲ, ਵੱਡੇ ਅੱਖਰਾਂ ਅਤੇ ਸਣਨ ਵਾਲੇ ਰਪ ਵਿਚ ਵੀ ਲਈ ਜਾ ਸਕਦੀ ਹੈ, ਅਤੇ ਇਹਦਾ ਤਰਜਮਾ ਹੋਰ ਬੋਲੀਆਂ ਵਿਚ ਵੀ ਕਰਵਾਇਆ ਜਾ ਸਕਦਾ ਹੈ। ਸੰਪਰਕ ਕਰਨ ਲਈ ਜਾਣਕਾਰੀ ਹੇਠਾਂ ਦਿੱਤੀ ਗਈ ਹੈ।

Niniejsze informacje mogą zostać udostępnione na życzenie, w alfabecie Braille'a, w druku powiększonym lub w formacie audio oraz mogą zostać przetłumaczone na wiele języków obcych. Dane kontaktowe znajdują się poniżej.

Faodar am fiosrachadh seo fhaighinn, le iarrtas, ann am braille, clò mòr no clàr fuaim agus tha e comasach eadar-theangachadh gu grunn chànanan. Tha fiosrachadh gu h-ìosal mu bhith a' cur fios a-steach.

East Ayrshire Council
Comhairle Siorrachd Àir an Ear