

# EAST AYRSHIRE COUNCIL

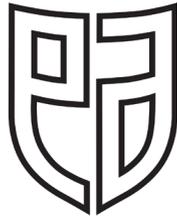
# ANNUAL ACCOUNTS

*For the year ended 31 March 2017*



East Ayrshire Council  
Comhairle Siorrachd Àir an Ear





**Front cover images**  
*(from left to right)*

Queen's 90th birthday celebrations at Kirkstyle Primary School

Town Centre Redevelopment Cumnock

Inaugural 'Roon the Toon' Kilmarnock 10k

East Ayrshire Garden Competition winner 2016

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# Management Commentary

## *Our Vision*

***“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.”***

## *Background*

2016/17 saw the conclusion of our five year transformation strategy where we embarked on a journey of challenge and innovation that reduced our annual running costs by £34m, instilled change and created alternative service models and partnerships that are evident today and which will grow further into the future. Its success has led to a culture change where across the Council we see the status quo challenged and change grasped culminating in a renewed focus on the years ahead and what they will look like for the Council, our services and our communities. As we prepare the next five year transformation strategy we acknowledge the sustained reduction in grant funding, the increased demand for our services and the potential negative impact of wider economic and structural changes but we do so with the commitment that our communities will be at the heart of all that we do, the confidence to be bold and imaginative and the clarity to plan for the years ahead.

In order to assist readers of these accounts, the Management Commentary is structured as follows:

- An Introduction to East Ayrshire
- Our Priorities
- Our Key Achievements
- Explanation of the Main Statements
- Telling the Story
- Summary of Financial Performance
- Transformation Strategy
- Risks and Uncertainties
- Our Group

## *An Introduction to East Ayrshire*

East Ayrshire covers some 490 square miles spread over both urban and rural communities. Kilmarnock is the largest urban area with a population of around 44,500. There are a number of smaller communities, ranging from two hundred people to around 9,000 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.

The population of East Ayrshire is projected to decrease from 122,120 in 2014 to 121,085 in 2024 (0.9%), while the population of Scotland is projected to increase by 3.1% over the same period. As the population ages there is marked decline projected in the population aged 0-15 (-1.91%), 16-29 (-12%) and 30-49 (-12%) with significant growth in the population aged 50-64 (+6%), 65-74 (+8%) and 75+ (+30%). These trends will be an important aspect in how we and our Community Planning Partners shape our future service plans.

## *Our Priorities*

The [Community Plan](#) sets out the Community Planning Partnership’s ambition for East Ayrshire going forward. The partnership comprises the Council, NHS Ayrshire and Arran, Police Scotland, Scottish Fire and Rescue Service, Ayrshire College, Strathclyde Partnership for Transport, Skills Development Scotland, Scottish Enterprise, Ayrshire Chamber of Commerce and Industry, East Ayrshire North Communities Federation, Coalfield Community Federation and Voluntary Action East Ayrshire.

## Management Commentary

The Plan covers the period 2015 to 2030 with a three-yearly review process built into the planning cycle. The [Single Outcome Agreement](#) details performance indicators and targets against which we will assess and improve performance. The strategic plans of all Partner agencies are aligned to the Community Plan, ensuring that their mainstream activity, detailed within their Service Plans, is directed at achieving identified local outcomes. The Community Plan is focussed on the key priority areas of:

- Economy and Skills;
- Safer Communities; and
- Wellbeing

These delivery themes are mirrored by the Council's management structure.

There are a significant number of performance measures used to monitor the achievement of the Council's Strategic Priorities. Individual reports are prepared for three specific sub groups of the Council's Governance and Scrutiny Committee detailing the actions being taken to deliver the priorities together with the range of performance indicators used to measure and evidence progress. Copies of the latest reports presented to Governance and Scrutiny Committee in December 2016 are [Raising Educational Attainment](#), [Supporting Older People](#) and [Promoting Town Centre Living](#).

### *Our Key Achievements*

East Ayrshire is a council that is recognised for leading change and the pursuit of continuous improvement. These elements are at the heart of our culture and in the past year this is evidenced by achievements which include:

- Expanded business links with all schools that are supporting young people in their learning and training
- Construction under way on 3 sites to replace 8 schools
- Built 197 new council houses across East Ayrshire with additional units currently being built for older and ambulant disabled residents
- Increased the use of Smart Supports (Technology Enabled Care) by 8% helping to transform the lives of many and helping people to continue to live safely in their own homes
- Continued to meet the national zero target for delayed discharges consistently since 2009
- Worked with communities to create Community Led Action Plans with 16 plans now in place
- Finalists in sixteen award schemes and winner of ten including COSLA Chairperson's for the Council's work with Positive Play in Prisons
- East Ayrshire Council named UK Council of the Year 2017 and deemed as outstanding in transforming the delivery of its services by Improvement and Efficiency Social Enterprise (iESE)

### *Explanation of the Main Statements*

**The Expenditure and Funding Analysis Statement (EFA):** shows how annual expenditure is used and funded from government grants, rents, council tax and business rates in comparison with those resources consumed in accordance with generally accepted accounting practices.

**The Movement in Reserves Statement (MiRS):** shows the movement on reserves analysed into those reserves that are usable and unusable.

**The Comprehensive Income and Expenditure Statement (CIES):** shows the accounting cost of providing services rather than the amount funded from taxation. Taxation position is shown in the MiRS.

**The Balance Sheet:** shows the value of the assets and liabilities held by the Council. Net assets are matched by reserves which are reported as Usable and Unusable.

**The Cashflow Statement:** shows the changes in cash and cash equivalents by operating, investing and financing activities.

# Management Commentary

## Telling the Story

These Annual Accounts incorporate the “Telling the Story” presentational changes included in the 2016/17 Local Authority Code of Practice (the Code), and include a new statement, the Expenditure and Funding Analysis (EFA) and associated note which are on pages 14 and 15. The EFA provides a link between the East Ayrshire Performs (EAP) budget management reports and the figures in the main financial statements. The reconciliation below has been included to assist users of the Accounts in navigating from the East Ayrshire Performs year end financial management report through to the first column of the EFA on page 14 and to the CIES on page 18.

East Ayrshire Performs				Building the EFA				EFA Segment	EFA Column 1
	Annual Budget	East Ayrshire Performs Outturn	Variance (favourable) / adverse	East Ayrshire Performs Outturn	Movements - Contribution from Health & Social Care	Movements - amounts not included within Net Cost of Services	Net Expenditure chargeable to the General Fund & HRA Balances		Net Expenditure chargeable to the General Fund & HRA Balances
2016/17	£m	£m	£m	£m	£m	£m	£m	£m	
Central Mgt Support Economy and Skills	0.746	0.349	(0.397)	0.349	-	-	0.349	Economy and Skills Other Segments	1.705
Policy Planning and Performance Division	1.381	1.356	(0.025)	1.356	-	-	1.356		
Education	87.450	86.180	(1.270)	86.180	-	-	86.180	Education	86.180
Planning and Economic Development	5.930	5.330	(0.600)	5.330	-	-	5.330	Planning and Economic Development	5.330
Finance and ICT	7.673	7.114	(0.559)	7.114	-	-	7.114	Finance and ICT	7.114
Central Mgt Support Safer Communities	0.451	0.408	(0.043)	0.408	-	-	0.408	Safer Communities Other Segments	0.786
Emergency Planning	0.054	0.071	0.017	0.071	-	-	0.071		
Health and Safety	0.365	0.307	(0.058)	0.307	-	-	0.307		
Transport Services	5.952	6.435	0.483	6.435	-	-	6.435	Transport (incl SPT)	8.638
SPT	2.220	2.203	(0.017)	2.203	-	-	2.203		
Human Resources	1.990	1.797	(0.193)	1.797	-	-	1.797	Human Resources	1.797
Housing and Communities	17.051	16.884	(0.167)	16.884	-	-	16.884	Housing and Communities	16.884
Roads Alliance	7.548	6.892	(0.656)	6.892	-	-	6.892	Roads Alliance	6.892
Facilities and Property Management	27.822	27.380	(0.442)	27.380	-	-	27.380	Facilities and Property Management	27.380
Arms Length Organisations	5.221	5.221	-	5.221	-	-	5.221	Arms Length Organisations	5.221
Housing Revenue Account	-	(2.608)	(2.608)	(2.608)	-	-	(2.608)	Housing Revenue Account	(2.608)
Chief Executive Office (incl Internal Audit)	0.606	0.527	(0.079)	0.527	-	-	0.527	Chief Executive Office (incl Internal Audit)	0.527
Children Families and CJS	18.229	17.701	(0.528)	17.701	-	-	17.701	Social Work: Provision of Services	73.460
Community Care	52.753	52.773	0.020	52.773	-	-	52.773		
Service Strategy	4.875	4.675	(0.200)	4.675	-	-	4.675		
Outwith Placements	3.813	4.521	0.708	4.521	-	-	4.521		
Social Care Allocation from NHS	-	-	-	-	(6.210)	-	(6.210)		
Funding Required for IJB	(0.678)	-	0.678	-	-	-	-	Governance	2.521
Governance	2.973	2.521	(0.452)	2.521	-	-	2.521		
Other Non Dept Expenditure	6.208	2.705	(3.503)	2.705	-	-	2.705	Central Services	5.933
Insurance	2.480	2.367	(0.113)	2.367	-	-	2.367		
Debt Charges	21.715	21.715	-	21.715	-	(21.715)	-		
Council Tax	(51.414)	(51.320)	0.094	(51.320)	-	51.078	(0.242)		
HB/ CT Benefit Subsidy	10.106	9.721	(0.385)	9.721	-	(8.618)	1.103		
Government Funding	(230.091)	(230.087)	0.004	(230.087)	6.210	223.877	-		
Balance Brought Forward	(10.254)	-	10.254	-	-	-	-		
Reserve Transfers	(3.175)	(1.875)	1.300	(1.875)	-	1.875	-		
<b>Net Cost of Services (EFA Column 1)</b>	<b>-</b>	<b>1.263</b>	<b>1.263</b>	<b>1.263</b>	<b>-</b>	<b>246.497</b>	<b>247.760</b>	<b>247.760</b>	

Note 1 The £6.210m shown in the column headed “Movements - Contribution from Health & Social Care” 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.

Note 2 The figures in the column headed “Movements - amounts not included within Net Cost of Services” predominantly relate to taxation and non specific grant income and as such are reflected in the appropriate sections of the EFA and the CIES (below Net Cost of Service) in line with the presentational requirements of the Code.

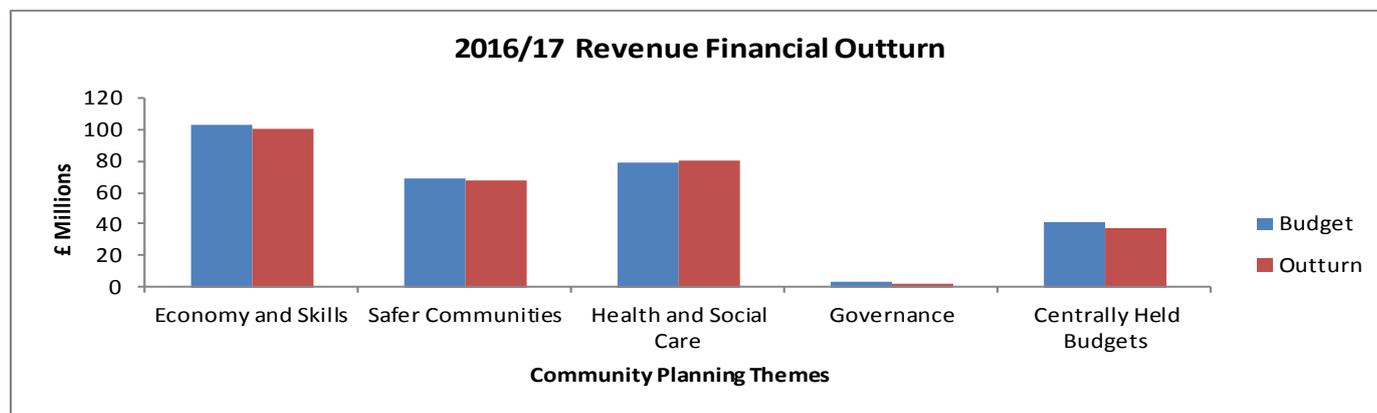
Note 3 Further details on the variances shown above can be found at [East Ayrshire Performs](#).

## Management Commentary

### Summary of Financial Performance

#### Revenue Expenditure

The Comprehensive Income and Expenditure Statement on page 18 sets out the Council's spending and funding in accordance with relevant accounting requirements. The Council's management accounting arrangements are aligned with the management structure and culminate into groupings based on Community Planning themes. A summary of the high level 2016/17 financial outturn in line with Community Planning themes is shown in the following graph.



All of the services ended the year under budget with the exception of Health and Social Care and the underspends were mainly due to lower than anticipated staff and premises costs and higher levels of income. Health and Social Care ended the year £0.678m over budget predominantly due to an increased demand for services and Cabinet on 22 February 2017 approved an additional in year allocation to offset the projected overspend up to a maximum of £1.400m from the General Fund Uncommitted Balance to offset the impact of the service overspend. Further details of the year end variances are provided in the East Ayrshire Performs report at [East Ayrshire Performs](#).

During the year a planned transfer of £1.264m was made from the Capital Fund to offset borrowing costs within the capital investment programme. At the year end it was deemed prudent to replenish the fund by £1.300m to support the continued delivery of the programme. In addition a transfer of £1.911m was made from the Renewal and Repairs Fund to meet one off costs previously approved for specific commitments. The movement across services is shown in the EFA on page 14.

#### General Fund Balances

The General Fund is the statutory fund into which all the receipts are required to be paid into 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, Fees & Charges, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements) and is split between uncommitted balances and balances which have been earmarked for specific purposes. The MiRS on page 16 shows an overall decrease in the General Fund balance of £3.871m for the year which has been analysed as follows.

Movement in 2016/17	Uncommitted Balance £m	Earmarked Balances £m	Total Balances £m
Utilisation of Balances	(4.958)	(5.549)	(10.507)
Reallocation - Balances Review	0.733	(0.733)	0.000
Reallocation to committed balances	(1.500)	1.500	0.000
2016/17 Balance added	1.736	4.900	6.636
<b>Sub Total</b>	<b>(3.989)</b>	<b>0.118</b>	<b>(3.871)</b>
2015/16 Balance brought forward	17.087	23.752	40.839
<b>Outturn Position 2016/17</b>	<b>13.098</b>	<b>23.870</b>	<b>36.968</b>

## Management Commentary

The General Fund Uncommitted Balance at 31 March 2017 is £13.098m, representing 4.0% of the net revenue expenditure following the planned utilisation of £4.958m to balance the 2016/17 budget. The Reserves Strategy permits services to 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. In line with this policy, Cabinet on 16 November 2016 approved a transfer of £0.733m to the Uncommitted General Fund Balance for use in other areas as part of the annual balances review. The Council established a £1.000m Health and Social Care Transformation Fund to facilitate change and a reduction in recurring costs and set aside £0.500m to mitigate the impact of Welfare Reform on individuals.

### Housing Revenue Account (HRA)

The Housing Revenue Account ended the year with a surplus of £2.608m which will be fully earmarked. This outturn position is due to savings in employee costs, transport, supplies and services, and CFCR/planned maintenance. The cumulative balance for the HRA is shown in the following table and details of the year end variances on the account can be found at [East Ayrshire Performs](#).

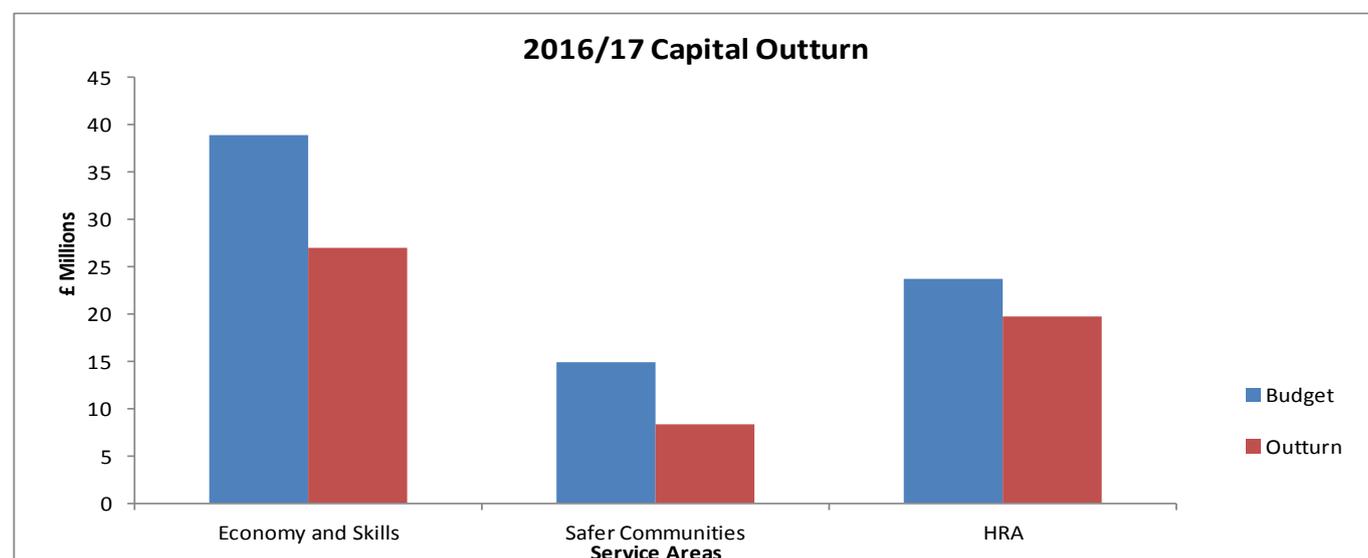
	Balance £m
Balance Brought Forward	9.791
<i>Movement in 2016/17:</i>	
2016/17 Balance added	2.608
<b>Outturn Position 2016/17</b>	<b>12.399</b>

### Capital Programme and Investment

The Council's ambitious capital programme saw General Fund investment of £34.541m in developing and creating key assets for communities. This includes investment in our roads, schools and business infrastructure. This was funded by £10.267m from government grants, borrowing of £23.080m and using £1.194m from revenue.

The Housing Capital Programme spent £20.428m on purchasing or acquiring assets in 2016/17 including the creation of council houses in our town centres, delivering new homes and local regeneration. This capital investment programme was funded by £10.419m from current revenue, borrowing of £4.352m and the utilisation of capital receipts of £4.242m and government grants of £1.415m.

The table below shows the net capital expenditure by service against the approved budget. The variances at year end were mainly a result of changes to scheme commencement dates, but there were instances of higher than anticipated prices and tenders, changes to scheme design, and extraordinary development costs. Details on the individual variances for each scheme can be found at [East Ayrshire Performs](#).



## Management Commentary

The Council ended the year with a net worth of £346.069m with £948.855m of non current assets spread across a range of plant, property, equipment and heritage assets and usable reserves of £64.414m as shown on the Balance Sheet on Page 19.

### *Transformation Strategy*

Work is progressing on our second Transformation Strategy that will cover the period through to 2021/22. The assumptions we will use going forward will include a prolonged reduction in grant, an increasing demand pressure on specific services all set against a wider backdrop of increasing inflation and potential structural change. The Strategy will once again have at its core the need to achieve substantial savings over the term and will require a strategic outlook and a focus on how best to deliver for our communities.

The additional powers transferred to the Scottish Government, particularly those around taxation and welfare, and how they may impact on future grant levels will feature in our assumptions as will the impact of the wider Fiscal Framework. The decision to leave the European Union and the potential impact on our services, our grant funding and on the wider business community within East Ayrshire are also factors to be taken into account. As we move forward the majority of the threats and opportunities will arise from the wider economic and policy changes and while it can be difficult to foresee entirely these changes, our experience of transformation so far means that we are well prepared for change. We have a culture of innovation and a background of sound financial management with reserves at a level that will help us implement our new transformation strategy.

### *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. A copy of the 2016/17 Outturn report is available at [East Ayrshire Performs](#).

### *Our Group*

Local Authorities are required to prepare Group Accounts where they have a material interest in other organisations. The Group Accounts consolidate the results of the Council with its share of entities shown below. 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 £17.948m representing the Council's share of the net assets in these entities. This includes the combined pension position of these associates.

The East Ayrshire Integration Joint Board (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 in 2016/17 was £74.760m. The Council's group account entities are:

- East Ayrshire Integration Joint Board
- Ayrshire Valuation Joint Board
- Strathclyde Concessionary Travel Scheme Joint Committee
- East Ayrshire Leisure Trust
- Strathclyde Partnership for Transport
- East Ayrshire Common Good Fund

Further information on the group entities can be found at Note 34 on page 51.

## Management Commentary

### *Acknowledgement*

The favourable financial position disclosed in the Annual Accounts has been achieved through the continued efforts of Elected Members and officers in every Service to manage the resources made available to them effectively and efficiently.

I am particularly grateful to staff in Finance who planned and co-ordinated the efforts of colleagues from across the Council to ensure an efficient closure of the accounts within a very tight timescale. The Council's unaudited Annual Accounts were completed in mid May, well in advance of the statutory deadline of 30 June 2017 enabling key staff to continue their work on our transformation and change agenda.

**Councillor Douglas Reid**

**Leader of the Council**

**28 September 2017**

**Fiona Lees**

**Chief Executive**

**28 September 2017**

**Alexander McPhee, ACMA**

**Depute Chief Executive & Chief Financial Officer**

**28 September 2017**

## 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 for signature by the Governance and Scrutiny Committee at its meeting on 28 September 2017.

**Councillor Douglas Reid**

**Leader of the Council**

**28 September 2017**

### 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 2017.

**Alexander McPhee ACMA**

**Depute Chief Executive & Chief Financial Officer**

**28 September 2017**

# Annual Governance Statement

## *Scope of Responsibility*

The 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 (COCG) 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. A copy of the COCG, the update on the 2016/17 Action Plan and the 2017/18 Action Plan can be downloaded from the Council's website. The COCG evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA/SOLACE. The COCG is reviewed and updated on an annual basis, most recently by the Governance and Scrutiny Committee on 20 April 2017.

The Council has also put in place a system of internal control designed to manage risk to a reasonable level. The system 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 2017 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 and is underpinned by the Single Outcome Agreement (SOA) which provides a robust performance management framework and demonstrates a sound understanding of place and local circumstances.

## Annual Governance Statement

The Community Planning Partnership (CPP) Board is supported by robust governance arrangements and a formal joint engagement event between the Council and CPP Board was held on 22 September 2016 to consider the Community Planning Action Plan, Single Outcome Agreement Performance Report, and the Integrated Health and Social Care Partnership Annual Report. Similar arrangements are proposed for 2017/18.

Policy and decision making is conducted through the Council's Cabinet structure, which includes the Governance and Scrutiny Committee. Cabinet has responsibility for discharging all of the Council's functions except those reserved to the Council and those matters specifically delegated to other statutory, quasi-judicial committees. The Governance and Scrutiny Committee is fully compliant with Audit Committee principles and full details of its responsibilities are available on the Council's website. The Governance and Scrutiny Committee undertakes the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities 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 of the review 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.

The Council has continued to enhance and strengthen the 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 system of internal financial control throughout the financial year 2016/17 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.

## Annual Governance Statement

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

The Council identified our strategic priorities, as follows:

- Raise educational attainment and equip young people for the world of work;
- Support older people to live independently in the community; and
- Promote town centre living.

The Council's approach to risk management is well embedded with a Corporate Risk Register supported by Service 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 service holding individual business continuity plans. The arrangements for scrutiny and monitoring of the effectiveness of business continuity planning, civil contingency planning and emergency response were strengthened in 2016/17 by the creation of the Strategic Resilience Group.

The Whistleblowing Policy and Code of Conduct for employees are supported by employee contracts of employment and annual reviews which identify individual training and development requirements. A revised Code of Conduct for Elected Members was introduced in 2010/11 and an Elected Member Learning and Development Strategy and Job Outlines for Elected Members are in place. A training needs analysis is undertaken on an annual basis and individual Development Plans are subsequently agreed for all Elected Members. The Elected Members induction, training and development arrangements have been reviewed in 2016/17 in preparation for the new Council being elected following the Local Government Elections in May 2017. New arrangements for a formal Chief Officer appraisal process were approved in 2016/17.

### **Statutory Roles**

The Council's procedural documentation clearly details the decision making structure. This includes Scheme of Delegation; Standing Orders; Standing Orders relating to Contracts; Contract Procurement Protocol; Financial Regulations; Local Government Access to Information Registers; 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.

## Annual Governance Statement

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 IJB with effect from 1 April 2015.

### *Review of Effectiveness*

During 2016/17, East Ayrshire Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both appropriate and effective in practice.

Specifically, the Council's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is co-ordinated corporately and approved by the Executive Management Team, Depute Chief Executives and Heads of Service have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, each Depute Chief Executive and Head of Service is required to make an annual statement confirming that this is the case.

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. During 2016/17 the Internal Audit section operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced on 1 April 2013. Internal Audit is subject to an annual review by the Council's external auditor to ensure that the section continues to operate according to good practice. Deloitte LLP the Council's current external auditor will reflect that review in their annual report. Internal Audit's Internal Quality Assessment (IQA) for 2016/17, as required by the PSIAS, was reported to the Governance and Scrutiny Committee on 20 April 2017 with no significant issues arising. An additional PSIAS External Quality Assessment (EQA) is scheduled for 2017/18.

On the basis of Internal Audit work completed in 2016/17, East Ayrshire Council's established internal control procedures were generally found to operate as intended to meet management's requirements for the individual systems reviewed. Internal Audit opinions for individual planned 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's overall opinion, based on the work carried out, is that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control systems in the year to 31 March 2017.

## Annual Governance Statement

The objectives of internal control have been substantially met. In line with established practice Internal Audit's Annual Report for 2016/17 was reported to the Council's Governance and Scrutiny Committee on 20 April 2017.

### *Improvements Proposed*

The review carried out in 2016/17 highlighted improvements that could be implemented in some areas and these are contained within the Corporate Governance Improvement Plan for 2017/18 which is available on the Council's website.

### *Conclusion*

We consider the governance and internal control environment operating during 2016/17 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 2017/18. 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. The Council will continue to review its corporate governance arrangements and take any additional steps as are 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**  
**28 September 2017**

**Fiona Lees**  
**Chief Executive**  
**28 September 2017**

## Expenditure and Funding Analysis (EFA)

2015/16				2016/17		
EAC				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	
<b>Operating</b>						
1.507	0.154	1.661	Economy and Skills Other Segments	1.705	0.099	1.804
83.163	15.032	98.195	Education	86.180	17.122	103.302
2.958	0.994	3.952	Planning and Economic Development	5.330	0.353	5.683
7.034	1.776	8.810	Finance and ICT	7.114	1.544	8.658
0.859	0.063	0.922	Safer Communities Other Segments	0.786	0.020	0.806
8.085	(0.039)	8.046	Transport (incl SPT)	8.638	(0.070)	8.568
1.834	0.173	2.007	Human Resources	1.797	0.116	1.913
16.473	1.688	18.161	Housing and Communities	16.884	1.287	18.171
8.092	6.036	14.128	Roads Alliance	6.892	5.950	12.842
26.699	(4.937)	21.762	Facilities and Property Management	27.380	(0.539)	26.841
6.020	6.767	12.787	Arms Length Organisations	5.221	2.886	8.107
(0.678)	14.164	13.486	Housing Revenue Account	(2.608)	1.501	(1.107)
0.507	0.048	0.555	Chief Executive Office (incl Internal Audit)	0.527	0.030	0.557
4.323	0.553	4.876	Governance	2.521	0.272	2.793
4.377	(0.648)	3.729	Central Services	5.933	(1.835)	4.098
(1.439)	4.242	2.803	Social Work: Provision of Services	(1.300)	2.191	0.891
75.257	-	75.257	Contribution to the IJB	74.760	-	74.760
245.071	46.066	291.137	<b>Net Cost Of Services</b>	247.760	30.927	278.687
(252.915)	(7.698)	(260.613)	Other Income and Expenditure	(244.717)	(5.481)	(250.198)
(7.844)	38.368	30.524	<b>Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES</b>	3.043	25.446	28.489

		General Fund	HRA	Total
42.766	Opening Combined General Fund and HRA Balances	40.839	9.791	50.630
7.844	Surplus or Deficit on the General Fund and HRA Balances for the Year	(5.651)	2.608	(3.043)
0.020	Transfers to/ from Other Reserves	1.780	-	1.780
<b>50.630</b>	<b>Closing Combined General Fund and HRA Balances</b>	<b>36.968</b>	<b>12.399</b>	<b>49.367</b>

## Note to the Expenditure and Funding Analysis

2015/16				Adjustments between Funding and Accounting Basis	2016/17			
EAC					EAC			
Adjustments for Capital Purposes	Met change for Pensions Adjustments	Other Differences	Adjustments between the Funding & Accounting Basis		Adjustments for Capital Purposes	Met change for Pensions Adjustments	Other Differences	Adjustments between the Funding & Accounting Basis
£m	£m	£m	£m	£m	£m	£m	£m	
-	0.154	-	0.154	Economy and Skills Other Segments	-	0.099	-	0.099
14.633	1.416	(1.017)	15.032	Education	15.045	0.936	1.141	17.122
0.667	0.288	0.039	0.994	Planning and Economic Development	0.110	0.287	(0.044)	0.353
1.090	0.686	-	1.776	Finance and ICT	1.126	0.433	(0.015)	1.544
-	0.063	-	0.063	Safer Communities Other Segments	(0.001)	0.035	(0.014)	0.020
(0.123)	0.084	-	(0.039)	Transport (incl SPT)	(0.121)	0.051	-	(0.070)
0.004	0.169	-	0.173	Human Resources	0.004	0.112	-	0.116
0.757	0.922	0.009	1.688	Housing and Communities	0.757	0.591	(0.061)	1.287
5.367	0.638	0.031	6.036	Roads Alliance	5.602	0.404	(0.056)	5.950
(5.733)	0.796	-	(4.937)	Facilities and Property Management	(1.086)	0.549	(0.002)	(0.539)
6.756	-	0.011	6.767	Arms Length Organisations	2.886	-	-	2.886
13.817	1.103	(0.756)	14.164	Housing Revenue Account	1.552	0.667	(0.718)	1.501
-	0.048	-	0.048	Chief Executive Office (incl Internal Audit)	-	0.030	-	0.030
0.046	0.494	0.013	0.553	Governance	0.040	0.238	(0.006)	0.272
-	(1.450)	0.802	(0.648)	Central Services	-	(2.466)	0.631	(1.835)
1.075	3.019	0.148	4.242	Social Work: Provision of Services	0.526	1.936	(0.271)	2.191
38.356	8.430	(0.720)	46.066	<b>Net Cost Of Services</b>	26.440	3.902	0.585	30.927
(14.941)	7.642	(0.399)	(7.698)	Other Income and Expenditure	(10.946)	5.860	(0.395)	(5.481)
23.415	16.072	(1.119)	38.368	<b>Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES</b>	15.494	9.762	0.190	25.446

## Movement in Reserves Statement (MiRS)

<b>2016/17</b>	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						
<b>Balance at 31 March 2016</b>	40.839	9.791	5.626	-	10.021	66.277	391.460	457.737	4.204	15.351	477.292
Surplus / (Deficit) on the Provision of Services	(22.530)	(5.959)	-	-	-	(28.489)	-	(28.489)	0.728	-	(27.761)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(83.261)	(83.261)	-	(2.335)	(85.596)
<b>Adjustments between accounting basis and funding basis under Regulation</b>											
Depreciation of Non Current Assets	23.332	19.210	-	-	-	42.542	(42.542)	-	0.276	(0.276)	-
Impairment of Non Current Assets	10.115	-	-	-	-	10.115	(10.115)	-	-	-	-
Amortisation of Intangible Assets	0.013	0.004	-	-	-	0.017	(0.017)	-	-	-	-
Capital Grants and Contributions Applied	(10.201)	(1.415)	-	-	-	(11.616)	11.616	-	-	-	-
Capital Grants and Contributions Unapplied	(0.065)	-	-	0.065	-	-	-	-	-	-	-
Differences relating to Financial Instruments required by statute	(0.277)	(0.117)	-	-	-	(0.394)	0.394	-	-	-	-
Differences relating to Officer Remuneration required by statute	0.672	(0.087)	-	-	-	0.585	(0.585)	-	-	-	-
Net Gain / (Loss) on Disposal of Fixed Assets	(0.051)	2.717	-	-	5.357	8.023	(8.023)	-	-	-	-
Net Charges for Retirement Benefits	25.213	2.795	-	-	-	28.008	(28.008)	-	-	-	-
Contributions to Pensions Fund	(16.702)	(1.544)	-	-	-	(18.246)	18.246	-	-	-	-
Repayment of Debt	(13.976)	(2.577)	-	-	-	(16.553)	16.553	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	-	-	(4.242)	(4.242)	4.242	-	-	-	-
Capital Expenditure Funded in Year	(1.194)	(10.419)	-	-	-	(11.613)	11.613	-	-	-	-
<b>Increase / (Decrease) before Transfers</b>	<b>(5.651)</b>	<b>2.608</b>	<b>-</b>	<b>0.065</b>	<b>1.115</b>	<b>(1.863)</b>	<b>(109.887)</b>	<b>(111.750)</b>	<b>1.004</b>	<b>(2.611)</b>	<b>(113.357)</b>
Transfers to / from Capital Fund	(0.036)	-	-	-	0.036	-	-	-	-	-	-
Transfers to / from Other Statutory Reserves	1.911	-	(1.911)	-	-	-	-	-	(1.344)	1.344	-
Interest on Revenue Balances	(0.095)	-	0.040	-	0.055	-	-	-	-	-	-
<b>Increase / (Decrease) in 2016/17</b>	<b>(3.871)</b>	<b>2.608</b>	<b>(1.871)</b>	<b>0.065</b>	<b>1.206</b>	<b>(1.863)</b>	<b>(109.887)</b>	<b>(111.750)</b>	<b>(0.340)</b>	<b>(1.267)</b>	<b>(113.357)</b>
<b>Balance at 31 March 2017</b>	<b>36.968</b>	<b>12.399</b>	<b>3.755</b>	<b>0.065</b>	<b>11.227</b>	<b>64.414</b>	<b>281.573</b>	<b>345.987</b>	<b>3.864</b>	<b>14.084</b>	<b>363.935</b>

## Movement in Reserves Statement (MiRS)

<b>2015/16</b>	Usable Reserves				Total Usable Reserves	Unusable Reserves	Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	General Fund Balance £m	HRA £m	Renewal and Repairs £m	Capital Fund £m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2015</b>	33.653	9.113	6.510	8.886	58.162	343.113	401.275	3.167	14.348	418.790
<b>Surplus / (Deficit) on the Provision of Services</b>	(10.124)	(20.400)	-	-	(30.524)	-	(30.524)	0.389	-	(30.135)
<b>Other Comprehensive Income and Expenditure</b>	-	-	-	-	-	86.986	86.986	-	1.651	88.637
<b>Adjustments between accounting basis and funding basis under Regulation</b>										
Depreciation of Non Current Assets	22.423	18.621	-	-	41.044	(41.044)	-	0.281	(0.281)	-
Impairment of Non Current Assets	9.958	13.892	-	-	23.850	(23.850)	-	-	-	-
Amortisation of Intangible Assets	0.028	0.004	-	-	0.032	(0.032)	-	-	-	-
Capital Grants and Contributions Applied	(13.837)	(0.598)	-	-	(14.435)	14.435	-	-	-	-
Differences relating to Financial Instruments required by statute	(0.278)	(0.121)	-	-	(0.399)	0.399	-	-	-	-
Differences relating to Officer Remuneration required by statute	(0.766)	0.046	-	-	(0.720)	0.720	-	-	-	-
Net Gain / (Loss) on Disposal of Fixed Assets	(0.157)	1.217	-	2.747	3.807	(3.807)	-	-	-	-
Net Charges for Retirement Benefits	30.205	3.291	-	-	33.496	(33.496)	-	-	-	-
Contributions to Pensions Fund	(15.986)	(1.438)	-	-	(17.424)	17.424	-	-	-	-
Repayment of Debt	(14.140)	(2.405)	-	-	(16.545)	16.545	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	-	(2.476)	(2.476)	2.476	-	-	-	-
Capital Expenditure Funded in Year	(0.045)	(11.546)	-	-	(11.591)	11.591	-	-	-	-
<b>Increase / (Decrease) before Transfers</b>	<b>7.281</b>	<b>0.563</b>	<b>-</b>	<b>0.271</b>	<b>8.115</b>	<b>48.347</b>	<b>56.462</b>	<b>0.670</b>	<b>1.370</b>	<b>58.502</b>
Transfers to / from Capital Fund	(0.804)	-	-	0.804	-	-	-	-	-	-
Transfers to / from Other Statutory Reserves	0.812	0.115	(0.927)	-	-	-	-	0.367	(0.367)	-
Interest on Revenue Balances	(0.103)	-	0.043	0.060	-	-	-	-	-	-
<b>Increase / (Decrease) in 2015/16</b>	<b>7.186</b>	<b>0.678</b>	<b>(0.884)</b>	<b>1.135</b>	<b>8.115</b>	<b>48.347</b>	<b>56.462</b>	<b>1.037</b>	<b>1.003</b>	<b>58.502</b>
<b>Balance at 31 March 2016</b>	<b>40.839</b>	<b>9.791</b>	<b>5.626</b>	<b>10.021</b>	<b>66.277</b>	<b>391.460</b>	<b>457.737</b>	<b>4.204</b>	<b>15.351</b>	<b>477.292</b>

# Comprehensive Income and Expenditure Statement (CIES)

2015/16					2016/17			
EAC			Group		EAC			Group
£m Exp	£m Income	£m Net	£m Net		£m Exp	£m Income	£m Net	£m Net
			<b>Operating</b>					
1.676	(0.015)	1.661	1.661	Economy and Skills Other Segments	1.886	(0.082)	1.804	1.804
100.764	(2.569)	98.195	98.195	Education	107.256	(3.954)	103.302	103.302
6.541	(2.589)	3.952	3.952	Planning and Economic Development	8.942	(3.259)	5.683	5.683
10.094	(1.284)	8.810	8.810	Finance and ICT	10.044	(1.386)	8.658	8.658
0.922	-	0.922	1.168	Safer Communities Other Segments	0.806	-	0.806	1.082
9.156	(1.110)	8.046	8.046	Transport (incl SPT)	9.520	(0.952)	8.568	8.568
2.020	(0.013)	2.007	2.007	Human Resources	1.958	(0.045)	1.913	1.913
27.822	(9.661)	18.161	18.161	Housing and Communities	27.361	(9.190)	18.171	18.171
28.073	(13.945)	14.128	14.128	Roads Alliance	27.028	(14.186)	12.842	12.842
28.269	(6.507)	21.762	21.762	Facilities and Property Management	33.936	(7.095)	26.841	26.841
12.839	(0.052)	12.787	12.787	Arms Length Organisations	8.152	(0.045)	8.107	8.107
57.442	(43.956)	13.486	13.486	Housing Revenue Account	43.914	(45.021)	(1.107)	(1.107)
0.555	-	0.555	0.555	Chief Executive Office (incl Internal Audit)	0.557	-	0.557	0.557
6.606	(1.730)	4.876	4.876	Governance	4.660	(1.867)	2.793	2.793
50.333	(46.604)	3.729	3.729	Central Services	48.213	(44.115)	4.098	4.098
96.433	(93.630)	2.803	2.803	Social Work: Provision of Services	101.020	(100.129)	0.891	0.891
75.257	-	75.257	75.257	Contribution to the IJB	74.760	-	74.760	74.760
(8.693)	8.693	-	-	Elimination of Internal Transactions	(9.990)	9.990	-	-
506.109	(214.972)	291.137	291.383	<b>Net Cost Of Services</b>	500.023	(221.336)	278.687	278.963
		1.060	1.060	(Gain) / Losses on disposals of assets			2.668	2.657
		292.197	292.443	<b>Net Operating Expenditure</b>			281.355	281.620
		(41.444)	(41.444)	Income from Council Tax			(42.460)	(42.460)
		(200.279)	(200.279)	Government Grants (not service specific)			(193.640)	(193.640)
		(32.850)	(32.850)	Distribution from NDR Pool			(30.239)	(30.239)
		(14.435)	(14.435)	Capital Grants & Contributions		Note 6	(11.681)	(11.681)
		(289.008)	(289.008)	<b>Taxation &amp; Non Specific Grant Income</b>			(278.020)	(278.020)
		<b>3.189</b>	<b>3.435</b>	<b>Net Operating Costs</b>			<b>3.335</b>	<b>3.600</b>
				<b>Financing and Investment Income and Expenditure</b>				
		(20.624)	(20.624)	Expected Return on Pension Assets			(23.061)	(23.061)
		-	(0.634)	Share of (Surplus) / Deficit on Provision of Services of Associates and Joint Ventures			-	(0.992)
		(1.002)	(1.003)	Interest and Investment Income		Note 28	(0.841)	(0.842)
		20.695	20.695	Interest Payable and similar charges			20.135	20.135
		28.266	28.266	Pension Interest Cost			28.921	28.921
		<b>30.524</b>	<b>30.135</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>28.489</b>	<b>27.761</b>
		(1.796)	(1.210)	(Surplus)/deficit on revaluation of non current assets			(1.461)	(1.425)
		0.008	0.008	(Surplus)/deficit on revaluation of available for sale financial assets		Note 28	(0.009)	(0.009)
		(85.198)	(85.198)	Actuarial (gains)/losses on pension assets /liabilities		Note 12	84.731	84.731
		-	(2.237)	Share of Other Comprehensive (Income)/Expenditure of Associates and Joint Ventures			-	2.299
		<b>(56.462)</b>	<b>(58.502)</b>	<b>Total Comprehensive (Income) / Expenditure</b>			<b>111.750</b>	<b>113.357</b>

## Balance Sheet

31-Mar-16				31-Mar-17	
EAC	Group			EAC	Group
£m	£m			£m	£m
892.114	901.463	Property, Plant & Equipment	Note 17	883.466	892.385
60.729	60.729	Heritage Assets	Note 22	65.256	65.256
0.043	0.043	Intangible Assets	Note 20	0.035	0.035
-	9.959	Investments in Associates and Joint Ventures		-	10.188
0.020	0.020	Non Current Receivables (Long Term Debtors)	Note 28	0.018	0.018
<b>952.906</b>	<b>972.214</b>	<b>Non Current Assets</b>		<b>948.775</b>	<b>967.882</b>
56.839	57.086	Short Term Investments	Note 28	62.371	62.748
1.458	1.458	Inventories	Note 23	3.212	3.212
29.137	29.137	Debtors	Note 24	26.461	26.461
0.636	0.636	Assets Held for Sale	Note 19	0.499	0.499
37.385	37.385	Cash and Cash Equivalents	Note 26	9.975	9.975
0.905	0.905	Current Intangible Assets	Note 20	0.603	0.603
<b>126.360</b>	<b>126.607</b>	<b>Current Assets</b>		<b>103.121</b>	<b>103.498</b>
(16.698)	(16.698)	Short Term Borrowing		(18.710)	(18.710)
(60.478)	(60.478)	Creditors (Including Provisions and Grants Receipts in Advance)	Note 25	(58.272)	(58.272)
<b>(77.176)</b>	<b>(77.176)</b>	<b>Current Liabilities</b>		<b>(76.982)</b>	<b>(76.982)</b>
(165.490)	(165.490)	Pension Liabilities	Note 12	(259.983)	(259.983)
(59.552)	(59.552)	Deferred Liabilities	Note 28	(58.068)	(58.068)
(319.311)	(319.311)	Long Term Borrowing	Note 28	(310.876)	(310.876)
-	-	Liabilities in Associates and Joint Ventures		-	(1.536)
<b>(544.353)</b>	<b>(544.353)</b>	<b>Non Current Liabilities</b>		<b>(628.927)</b>	<b>(630.463)</b>
<b>457.737</b>	<b>477.292</b>	<b>Net Assets</b>		<b>345.987</b>	<b>363.935</b>
66.277	66.277	Usable Reserves (Available to Fund Services)	MiRS	64.414	64.414
-	4.204	Share of Usable Reserves of Associates and Joint Ventures		-	3.864
38.389	-	Unusable Statutory Adjustments Accounts	Note 32	(55.628)	(55.628)
353.071	391.460	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	Note 32	337.201	337.201
-	15.351	Share of Unusable Reserves of Associates and Joint Ventures		-	14.084
<b>457.737</b>	<b>477.292</b>	<b>Net Reserves</b>		<b>345.987</b>	<b>363.935</b>

### Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 29 June 2017 and the audited accounts were authorised for issue on 28 September 2017.

**Alexander McPhee ACMA**  
Depute Chief Executive & Chief Financial Officer  
28 September 2017

# Cash Flow Statement

2015/16			2016/17	
EAC	Group		EAC	Group
£m	£m		£m	£m
30.524	30.135	<b>(Surplus) / Deficit on Comprehensive Income and Expenditure Statement</b>	28.489	27.761
-	0.634	Surplus / (Deficit) attributable to Associates and Joint Ventures	-	0.992
<b>30.524</b>	<b>30.769</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>28.489</b>	<b>28.753</b>
<b>Non Cash Items in the Comprehensive Income and Expenditure Statement</b>				
(64.926)	(65.207)	Depreciation and Impairment	(52.674)	(52.950)
(3.807)	(3.807)	Carrying Amount of Fixed Assets Sold <i>Note 17</i>	(8.021)	(8.021)
(16.072)	(16.072)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme <i>Note 12</i>	(9.762)	(9.762)
0.008	0.008	Available for Sale Financial Instruments - Fair Value Adjustment	(0.009)	(0.009)
0.021	0.021	EIR Stepped Loan Adjustment	0.017	0.017
<b>(84.776)</b>	<b>(85.057)</b>		<b>(70.449)</b>	<b>(70.725)</b>
<b>Changes in Working Capital</b>				
0.181	0.181	Increase / (Decrease) in Stock and Work in Progress <i>Note 23</i>	1.754	1.754
(5.477)	(5.477)	Increase / (Decrease) in Debtors	2.853	2.853
3.002	3.002	(Increase) / Decrease in Creditors	2.013	2.013
<b>(2.294)</b>	<b>(2.294)</b>		<b>6.620</b>	<b>6.620</b>
<b>Adjustments for Items which are included in the net surplus or deficit on the provision of services that are investing or financing activities</b>				
8.256	8.256	Net (Increase) / Decrease in Short Term Deposits	(5.532)	(5.532)
14.435	14.435	Capital Grants Received	11.681	11.681
2.747	2.747	Sale of Fixed Assets	5.356	5.356
<b>25.438</b>	<b>25.438</b>		<b>11.505</b>	<b>11.505</b>
<b>(31.108)</b>	<b>(31.144)</b>	<b>Net Cash Outflow / (Inflow) from Operating Activities</b>	<b>(23.835)</b>	<b>(23.847)</b>
<b>Investing Activities</b>				
37.434	37.434	<b>Cash Outflows:</b> Purchase of Fixed Assets <i>Note 14</i>	54.969	54.969
0.905	0.905	Purchase of Short Term and Long Term Investments	-	-
-	0.036	Increase in Short Term Deposits	5.532	5.533
<b>38.339</b>	<b>38.375</b>		<b>60.501</b>	<b>60.502</b>
(2.747)	(2.747)	<b>Cash Inflows:</b> Sale of Fixed Assets <i>Note 9</i>	(5.356)	(5.345)
(8.256)	(8.256)	Decrease in Short Term Deposits	-	-
(14.435)	(14.435)	Capital Grants Received <i>Note 6</i>	(11.681)	(11.681)
<b>(25.438)</b>	<b>(25.438)</b>		<b>(17.037)</b>	<b>(17.026)</b>
<b>12.901</b>	<b>12.937</b>	<b>Net Cash Outflow / (Inflow) from Investing Activities</b>	<b>43.464</b>	<b>43.476</b>
<b>Financing</b>				
6.232	6.232	<b>Cash Outflows:</b> Repayments of Amounts Borrowed	5.973	5.973
2.065	2.065	Capital Element of Finance Lease Rental Payments	1.808	1.808
-	-	<b>Cash Inflows:</b> New Loans Raised	-	-
<b>8.297</b>	<b>8.297</b>	<b>Net Cash Outflow / (Inflow) from Financing Activities</b>	<b>7.781</b>	<b>7.781</b>
<b>(9.910)</b>	<b>(9.910)</b>	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	<b>27.410</b>	<b>27.410</b>
<b>27.475</b>	<b>27.475</b>	<b>Cash and Cash Equivalents at the start of the reporting period</b> <i>Note 26</i>	<b>37.385</b>	<b>37.385</b>
<b>37.385</b>	<b>37.385</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b> <i>Note 26</i>	<b>9.975</b>	<b>9.975</b>

*Note to Cash Flow Statement* – Included in Operating Activities is Interest paid in year of £19.873m; (2015/16, £20.442m) and Interest received in year £0.841m; (2015/16, £1.002m).

# Notes to the Annual Accounts

## Note 1 – Accounting Policies

### 1.1 General Principles

The Annual Accounts summarise the Council's transactions for the 2016/17 financial year and its position as at 31 March 2017. Relevant figures for the 2015/16 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 2016/17 (The Accounting Code)* and *SeRCOP*, 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 Accounting Concepts and assumptions 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.

### 1.2 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 of account. 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) in relation to services 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.

### 1.3 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 that are repayable on demand and form an integral part of the Council's cash management.

## Notes to the Annual Accounts

### **1.4 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 separately, either on the face of 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.

### **1.5 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;
- 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 amortisations. 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.

### **1.6 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 any form of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial 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 of the Council. Although these benefits will not be payable until employees retire, a commitment to make the payments 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 Services line in the CIES is charged with the employer's contributions payable to teachers' pensions in the year.

## Notes to the Annual Accounts

The Local Government Pension Scheme is accounted 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 projections of 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 their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property. The change in the net pensions liability is accounted for as required by IAS 19 Employee Benefits. Explanation of terms used are contained in the Glossary of Terms at the final section of this document.

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.

### 1.7 Financial Liabilities

Financial liabilities are recognised on 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 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 is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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.

### 1.8 Financial Assets

Financial assets are classified into two types:

- Loans and receivables: Assets that have fixed or determinable payments but are not quoted in an active market.
- Available for-sale assets: Assets that have a quoted market price and/or do not have fixed or determinable payments.

## Notes to the Annual Accounts

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure section 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 the Council's short-term deposits and most of its other lending, 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 for the year in the loan agreement.

Where assets are identified as impaired, the asset is written down and a charge is made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

### **1.9 Government Grants and Contributions**

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attaching 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.

### **1.10 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 the Council benefits for more than twelve months. 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 (assessed as between one to six years) to the relevant service lines 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. The gains and losses are reversed out 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' CRC responsibilities, the allowances are classified as Current Intangible Assets.

### **1.11 Inventories**

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

## Notes to the Annual Accounts

### 1.12 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 over a property or an 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. there is a premium 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.

### 1.13 Overheads and Support Services

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

### 1.14 Property, Plant and Equipment (PPE)

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

*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.

In respect of Component Accounting, the assessment of which components are recognised and depreciated separately is based upon the cost of each component. Significance will be determined by comparing a component's cost against the overall cost of an asset rather than as an absolute amount. The threshold for a significant component shall be 15% of the overall cost of the asset but only where the overall asset value is in excess of £1m.

*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.

## Notes to the Annual Accounts

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 the amount paid for the asset in its 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 rolling five-yearly programme. The valuations have been compiled within the 5-year rolling programme by RICS professional staff under the direction of the Depute Chief Executive & Chief Financial Officer. Surplus assets not held for sale are not exempt from depreciation. The Council's dwelling stock was revalued at 1 April 2013 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 only, the date of its formal implementation. Gains arising 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:* 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 | • Operational Buildings | 20-60 years |
| • Community Assets  | 20-25 years | • Operational Equipment | 2-20 years  |

The depreciation of Infrastructure Assets varies according to the assets held and is determined by the condition of the asset.

Where an item of PPE has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council's policy.

## Notes to the Annual Accounts

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 their 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 is 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 a sale at a price that is 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 line 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.

### 1.15 Heritage Assets

Heritage Assets are defined in the Code as: “A *tangible (or intangible) asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its 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.

## Notes to the Annual Accounts

Heritage Assets do not include:

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

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 is based upon information held in catalogues or inventories maintained within the Council. 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. The Council does not consider that reliable cost of valuation information can be obtained for the vast majority of items held because of the diverse nature of assets held, the number of assets held and the lack of comparable market values.

### **1.16 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 the 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.

### **1.17 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, then 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 any income relating to the asset and is entitled to the use of the asset. These funds do not represent assets available to the Council.

### **1.18 Provisions and Contingent Liabilities**

Provisions are made in accordance with the requirements of IAS37 (Provisions, Contingent Liabilities and Contingent Assets), provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

## Notes to the Annual Accounts

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 disclosed in a Note to the Annual Accounts where they are deemed material.

### **1.19 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme**

The Council participates in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender 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 to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

### **1.20 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.

### **1.21 Reserves**

Reserves are created by appropriating amounts out of the General Fund balance in the MiRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year so as to be included within the 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 the system of capital accounting are the Revaluation Reserve and the 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 made by the Council arising from increases in the value of its investments and the latter is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council.

## Notes to the Annual Accounts

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.

### **1.22 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.

### **1.23 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.

### **Note 2 – Accounting Standards Issued not 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 for the relevant year. The additional disclosures in respect of accounting changes introduced in the 2017/18 Code are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

Implementation is from 1 April 2017 and therefore there is no impact on the 2016/17 Annual Accounts.

The 2016/17 Code introduced changes to take effect from 1 April 2016 to measure the Highways Network Asset at Depreciated Replacement Cost. At its meeting on 8 March 2017 the CIPFA/LASAAC Code Board, the body responsible for the development of the Code of Practice on Local Authority Accounting in the United Kingdom which specifies the financial reporting requirements for local authorities, decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities.

### **Note 3 – Events after the Balance Sheet Date**

The Council is required to disclose material matters that arise between the Balance Sheet date (31 March 2017) and the date when the Accounts are authorised for issue which took place at the Council meeting on 29 June 2017.

The Depute Chief Executive & Chief Financial Officer, being the responsible officer for the Council's affairs, signed the unaudited Annual Accounts on 29 June 2017. Subsequent events taking place after this date are not reflected in the Annual Accounts or notes.

## Notes to the Annual Accounts

### *Note 4 – Critical Judgements in Applying Accounting Policies*

The preparation of the Annual Accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts. The estimates and assumptions are based on historical experience and other reasonable factors, the results of which form the basis of judgements about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates and estimates and assumptions are reviewed on an ongoing basis.

The critical judgements made in the Annual Accounts are:

- Judgement was applied to assess the impact of the Council's involvement in the 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. However, this uncertainty is not yet sufficient to provide an indication of the assets that might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Integration Joint Board has not been charged with support costs, capital or pension costs.

### *Note 5 – 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 balances cannot be determined with certainty therefore actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- Property, Plant and Equipment assets are depreciated over useful lives that are dependant 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.
- 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 individual 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 £116.699m. However, the assumptions interact in complex ways. During 2016/17, the Pension Fund's actuaries advised that the Council's share of the net pension liability has increased by £94.493m.
- At 31 March 2017, the Council had a sundry debtors balance of £11.569m. A review suggested that an allowance for doubtful debts of 42.4% (£4.909m) was appropriate. In terms of financial modelling a 1% increase in the allowance could lead to an additional cost of £0.116m.
- 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.

## Notes to the Annual Accounts

### Note 6 – Grant Income

The Council credited the following grants, contributions and donations to the CIES in 2016/17.

2015/16		2016/17
£m	Credited to Taxation and Non Specific Grant Income	£m
200.279	Revenue Support Grant	193.640
32.850	Non-Domestic Rates	30.239
233.129		223.879
	<b>Capital Grants</b>	
11.684	General Capital Grant	8.315
0.598	Council House Building Programme	1.415
-	Ingram Business Centre	1.300
0.714	SPT Transport Grant	0.391
0.210	Specific Capital Grant - CWSS	0.134
0.118	Sustrans	0.059
-	Rankinston Community Centre	0.058
-	Historic Scotland	0.009
0.876	Gaelic Schools Fund	-
0.150	Moorfield Business Park - ERDF Grant	-
0.085	Electric Vehicle Procurement Support Scheme - Transport Scotland	-
14.435		11.681
<b>247.564</b>	<b>Total</b>	<b>235.560</b>
	<b>£m Credited to Services / IJB</b>	<b>£m</b>
43.990	DWP Housing Benefits	42.751
2.616	Home Energy Efficiency Programmes Scotland (HEEPS) Grants	2.356
2.003	Criminal Justice Grant	2.172
1.840	Integrated Care Fund	1.658
-	Scottish Attainment Challenge	1.295
0.600	Private Sector Housing Grant	1.026
0.833	DWP Benefits Administration Grants	0.830
0.702	Alcohol and Drug Partnership Funding	0.670
0.469	European Social Fund Grants	0.635
0.477	Education Maintenance Allowance	0.461
0.315	Skills Development Scotland Skillseeker Grant	0.357
0.345	Sportscotland - Active Schools Grant	0.339
0.022	Conservation Area Regeneration Scheme - Historic Scotland Contribution	0.248
0.193	Youth Music Initiative	0.167
0.163	East Ayrshire Woodlands - Forestry Commission Grant	0.165
0.146	Specific Grant - Gaelic	0.144
0.125	Opportunities For All	0.122
0.132	Big Lottery Funding	0.115
0.135	WRAP Grant	0.065
0.141	Cumnock Town Hall Grant	0.041
0.033	2 The Cross, Kilmarnock	0.011
0.069	Conservation Area Regeneration Scheme - Heritage Lottery Grant	0.003
0.460	Various Minor Education Services Grants & Contributions	0.351
0.027	Various Minor Economy & Skills Services Grants & Contributions	0.041
0.352	Various Minor Social Work Grants & Contributions	0.174
0.114	Various Minor Safer Communities Services Grants & Contributions	1.222
<b>56.302</b>	<b>Total</b>	<b>57.419</b>

### Note 7 – External Audit Costs

Fees payable to Audit Scotland for services carried out under the Code of Practice in 2016/17 were £0.273m (£0.282m 2015/16).

## Notes to the Annual Accounts

### Note 8 – Agency Services

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2016/17 the Council received £0.436m for providing this service (2015/16 £0.436m). The Council also acts as agent on behalf of the Scottish Government in respect of the collection of Non-Domestic Rates.

### Note 9 – Material Items of Income and Expenditure

During 2016/17 the Council disposed of assets and achieved capital receipts totalling £5.356m. The carrying value of these assets on the Balance Sheet was £8.023m.

The Council holds £9.165m restructuring bond income in respect of the open cast coal mining sites and this is included in the creditors balance.

### Note 10 – PPP and Similar Contracts

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 resultant assets and liabilities have been recognised on the Balance Sheet.

Movements in the value are detailed in the PPP Note 15 on page 38. 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 at January of 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.

	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2017/18	4.624	1.484	3.836	9.944
Payable within two to five years	19.260	7.051	15.515	41.826
Payable within six to ten years	25.734	11.718	19.697	57.149
Payable within eleven to fifteen years	31.520	13.171	18.435	63.126
Payable within sixteen to twenty years	29.381	20.758	20.488	70.627
Payable within twenty one to twenty five years	6.582	5.370	4.448	16.400
<b>Total</b>	<b>117.101</b>	<b>59.552</b>	<b>82.419</b>	<b>259.072</b>

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

2015/16 £m		2016/17 £m
63.425	Balance outstanding at start of year	61.360
(2.065)	Payments during the year	(1.808)
<b>61.360</b>	<b>Balance outstanding at year-end</b>	<b>59.552</b>

## Notes to the Annual Accounts

### Note 11 – 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 2016		31 March 2017
£m		£m
0.939	Not later than one year	0.391
2.784	Later than one year and not later than five years	0.975
4.909	Later than five years	0.397
<b>8.632</b>		<b>1.763</b>

The expenditure charged to the Net Cost of Services in the CIES during the year in relation to these leases was £0.913m (£1.061m in 2015/16).

*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 2016		31 March 2017
£m		£m
0.613	Not later than one year	0.672
1.502	Later than one year and not later than five years	1.974
4.888	Later than five years	5.181
<b>7.003</b>		<b>7.827</b>

The income credited to the Net Cost of Services in the CIES during the year in relation to these leases was £0.672m (£0.613m in 2015/16).

### Note 12 – 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 1.

## Notes to the Annual 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.

2015/16 £m	Local Government Pension Scheme <i>Comprehensive Income and Expenditure Statement (CIES)</i>	2016/17 £m
	<i>Cost of Services:</i>	
24.369	Current service costs	21.806
1.485	Past service costs (including curtailments)	0.342
	<i>Financing and Investing Income and Expenditure:</i>	
7.642	Net Interest Expense	5.860
<b>33.496</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>28.008</b>
	<i>Other Post Employment Benefit Charged to the CIES:</i>	
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
3.873	Expected return on pension fund assets	(129.951)
-	Actuarial (gains) or losses arising on changes on demographic assumptions	-
(79.424)	Actuarial (gains) or losses arising on changes on financial assumptions	213.397
(9.647)	Actuarial (gains) or losses arising from other experience	1.285
<b>(51.702)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>112.739</b>
	<i>Movement in Reserves Statement (MiRS)</i>	
69.126	Reversal of net charges made to the Surplus/Deficit for the Provision of Services for post employment benefits in line with the Code	(94.493)
<b>17.424</b>	<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>18.246</b>

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

2015/16 £m		2016/17 £m
<b>(880.377)</b>	<b>Opening balance at 1 April</b>	<b>(825.459)</b>
(24.369)	Current Service Cost	(21.806)
(28.266)	Interest Cost	(28.921)
(4.587)	Contributions from scheme Participants	(4.787)
	<i>Re-measurement gains and (losses)</i>	
-	Actuarial gains / (Losses) from changes in demographic assumptions	-
79.424	Actuarial gains / (Losses) from changes in financial assumptions	(213.397)
9.647	Actuarial gains / (Losses) from other experience	(1.285)
(1.485)	Past service cost	(0.342)
24.554	Benefits Paid	25.228
<b>(825.459)</b>	<b>Closing balance at 31 March</b>	<b>(1,070.769)</b>

### Pension Assets and Liabilities on the Balance Sheet

2015/16 £m		2016/17 £m
(825.459)	Present Value of The Defined Benefit Obligation *	(1,070.769)
659.969	Fair Value of Pension Fund Assets	810.786
<b>(165.490)</b>	<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(259.983)</b>
	<i>*Unfunded Liabilities included in the figure for present value of liabilities</i>	
(19.205)	- Unfunded liabilities for Pension Fund	(21.907)
(23.386)	- Teachers unfunded pensions	(26.255)
(8.858)	- Unfunded liabilities prior to 1996 local government reorganisation	(8.964)

## Notes to the Annual Accounts

### Reconciliation of Fair Value of the Scheme (plan) assets

2015/16		2016/17
£m		£m
<b>645.761</b>	<b>Opening Fair Value of Pension Fund Assets</b>	<b>659.969</b>
20.624	Interest Income	23.061
-	Re-measurement gains and (losses)	-
(3.873)	Expected rate of return on pension fund assets	129.951
17.424	Contributions from employers	18.246
4.587	Contributions from employees into the scheme	4.787
(24.554)	Benefits Paid (including settlements)	(25.228)
<b>659.969</b>	<b>Closing balance at 31 March</b>	<b>810.786</b>

### 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	2016/17				2015/16			
	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Totals	%	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Totals	%
Equity Securities	297.529	0.154	297.683	37%	240.110	0.519	240.629	36%
Debt Securities	-	0.007	0.007	0%	-	0.001	0.001	0%
Private Equity	-	66.848	66.848	8%	-	64.196	64.196	10%
Real Estate	-	97.795	97.795	12%	-	70.899	70.899	11%
Investment Funds and Unit Trusts	9.413	308.326	317.739	39%	5.966	255.377	261.343	40%
Derivatives	0.068	0.108	0.176	0%	0.160	-	0.160	0%
Cash & Cash Equivalents	29.191	1.347	30.538	4%	22.037	0.704	22.741	3%
<b>Closing balance at 31 March</b>	<b>336.201</b>	<b>474.585</b>	<b>810.786</b>	<b>100%</b>	<b>268.273</b>	<b>391.696</b>	<b>659.969</b>	<b>100%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed based on the latest full valuation of the scheme as at 31 March 2014.

	Local Government Pension Scheme	
	2016/17	2015/16
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.6%	3.5%
Bonds	2.6%	3.5%
Property	2.6%	3.5%
Cash	2.6%	3.5%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
	Men	22.1
	Women	23.6
Longevity at 65 for future pensioners:		
	Men	24.8
	Women	26.2
Rate of inflation	3.4%	2.2%
Rate of increase in salaries	4.4%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%
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.

## Notes to the Annual Accounts

### *Change in Assumptions at 31 March 2017*

	Approximate % increase in Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	11%	116.699
1 Year increase in Member Life Expectancy	3-5%	Not Quantified
0.5% increase in the Salary Increase Rate	4%	41.821
0.5% increase in the Pension Increase Rate	7%	71.173

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. Employer's contributions were set at 19.3% for 2016/17. The triennial valuation took place at 31 March 2014. 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 2018 is £15.248m. The assumed weighted average duration of the defined benefit obligation is 18.6 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

### **Note 13 – 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 2016/17 amounted to £7.587m, (17.4% of pensionable pay), (2015/16 £7.188m, 17.4% of pensionable pay). In addition, contributions totaling £0.743m, 1.89% of pensionable pay, were made in respect of discretionary payments (2015/16 £0.781m, 1.89% 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.

## Notes to the Annual Accounts

### Note 14 – 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.

	2016/17 £m	2015/16 £m
<b>Opening Capital Financing Requirement</b>	<b>376.193</b>	<b>383.806</b>
<i>Capital investment</i>		
Property, Plant and Equipment	54.961	37.434
Intangible Assets	0.009	-
Revenue Expenditure Funded from Capital under Statute	1.318	0.848
<i>Sources of finance</i>		
Capital receipts	(4.242)	(2.476)
Government grants and other contributions	(12.999)	(15.283)
Sums set aside from revenue:		
Direct revenue contributions	(11.613)	(11.591)
Repayment of PPP/Finance Lease Capital Debt	(1.808)	(2.065)
Loans Fund Principal	(14.745)	(14.480)
<b>Closing Capital Financing Requirement</b>	<b>387.074</b>	<b>376.193</b>
<b>Explanation of movements in year</b>		
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	10.881	(7.613)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>10.881</b>	<b>(7.613)</b>

### Note 15 – PPP Assets Included in Property, Plant and Equipment

2015/16 £m		2016/17 £m
75.579	<b>Cost or Valuation at 1 April</b>	75.595
0.016	Expenditure	0.006
-	Revaluations To Revaluation Reserve	-
-	Revaluations To Net Cost of Services	-
75.595	<b>Cost or Valuation at 31 March</b>	75.601
(2.236)	<b>Depreciation and Impairment at 1 April</b>	(4.473)
(2.237)	Depreciation charge	(2.237)
-	Depreciation Written Out To Revaluation Reserve	-
(4.473)	<b>Depreciation or Impairment at 31 March</b>	(6.710)
73.343	<b>Opening Net Book Value</b>	71.122
<b>71.122</b>	<b>Closing Net Book Value</b>	<b>68.891</b>

### Note 16 – Impairment Losses

During 2016/17, the Council recognised an impairment loss of £10.115m as a result of the revaluation of Property, Plant and Equipment. The assets have been reduced to their new value in use and relevant impairment losses have been charged to the services in the Comprehensive Income and Expenditure Statement.

# Notes to the Annual Accounts

## Note 17 – Property Plant and Equipment

2016/17	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2016/17 Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
Cost or Valuation:	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2016</b>	<b>452.192</b>	<b>441.138</b>	<b>35.479</b>	<b>106.513</b>	<b>5.129</b>	<b>7.855</b>	<b>1,048.306</b>
Expenditure	16.780	10.483	4.308	6.162	0.080	17.147	54.960
Revaluations:							
To Revaluation Reserve	-	(5.953)	-	-	-	-	(5.953)
To Net Cost of Services	-	(10.018)	-	-	-	-	(10.018)
Disposals	(7.894)	(0.744)	(0.419)	-	(0.267)	-	(9.324)
Assets reclassified (to)/from Held for Sale	-	0.042	-	-	-	-	0.042
Other movements	4.190	1.335	-	-	-	(5.525)	-
<b>At 31 March 2017</b>	<b>465.268</b>	<b>436.283</b>	<b>39.368</b>	<b>112.675</b>	<b>4.942</b>	<b>19.477</b>	<b>1,078.013</b>
<b>Depreciation and Impairment:</b>							
<b>At 1 April 2016</b>	<b>(52.396)</b>	<b>(30.954)</b>	<b>(23.914)</b>	<b>(48.819)</b>	<b>(0.109)</b>	<b>-</b>	<b>(156.192)</b>
Depreciation charge	(18.761)	(13.493)	(4.597)	(5.599)	(0.092)	-	(42.542)
Depreciation written out							
To Revaluation Reserve	-	2.885	-	-	-	-	2.885
Disposals	0.935	0.019	0.346	-	0.002	-	1.302
Reclassifications	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>(70.222)</b>	<b>(41.543)</b>	<b>(28.165)</b>	<b>(54.418)</b>	<b>(0.199)</b>	<b>-</b>	<b>(194.547)</b>
<b>Net Book Value at 31 March 2016</b>	<b>399.796</b>	<b>410.184</b>	<b>11.565</b>	<b>57.694</b>	<b>5.020</b>	<b>7.855</b>	<b>892.114</b>
<b>Net Book Value at 31 March 2017</b>	<b>395.046</b>	<b>394.740</b>	<b>11.203</b>	<b>58.257</b>	<b>4.743</b>	<b>19.477</b>	<b>883.466</b>

2015/16	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2015/16 Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
Cost or Valuation:	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2015</b>	<b>437.487</b>	<b>455.218</b>	<b>34.175</b>	<b>98.293</b>	<b>4.384</b>	<b>18.311</b>	<b>1,047.868</b>
Expenditure	12.934	5.645	1.762	6.498	0.058	10.537	37.434
Revaluations:							
To Revaluation Reserve	-	(3.910)	-	-	(4.236)	-	(8.146)
To Net Cost of Services	(13.312)	(8.235)	-	-	(2.091)	-	(23.638)
Disposals	(4.011)	-	(0.458)	-	-	-	(4.469)
Assets reclassified (to)/from Held for Sale	-	(0.743)	-	-	-	-	(0.743)
Other movements	19.094	(6.837)	-	1.722	7.014	(20.993)	-
<b>At 31 March 2016</b>	<b>452.192</b>	<b>441.138</b>	<b>35.479</b>	<b>106.513</b>	<b>5.129</b>	<b>7.855</b>	<b>1,048.306</b>
<b>Depreciation and Impairment:</b>							
<b>At 1 April 2015</b>	<b>(34.413)</b>	<b>(24.541)</b>	<b>(20.181)</b>	<b>(43.694)</b>	<b>(0.167)</b>	<b>-</b>	<b>(122.996)</b>
Depreciation charge	(18.300)	(13.380)	(4.149)	(5.125)	(0.090)	-	(41.044)
Depreciation written out							
To Revaluation Reserve	-	5.235	-	-	1.701	-	6.936
Disposals	0.317	-	0.416	-	-	-	0.733
Reclassifications	-	1.732	-	-	(1.553)	-	0.179
<b>At 31 March 2016</b>	<b>(52.396)</b>	<b>(30.954)</b>	<b>(23.914)</b>	<b>(48.819)</b>	<b>(0.109)</b>	<b>-</b>	<b>(156.192)</b>
<b>Net Book Value at 31 March 2015</b>	<b>403.074</b>	<b>430.677</b>	<b>13.994</b>	<b>54.599</b>	<b>4.217</b>	<b>18.311</b>	<b>924.872</b>
<b>Net Book Value at 31 March 2016</b>	<b>399.796</b>	<b>410.184</b>	<b>11.565</b>	<b>57.694</b>	<b>5.020</b>	<b>7.855</b>	<b>892.114</b>

## Notes to the Annual Accounts

### Note 18 – Fair Value Hierarchy

East Ayrshire 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 authority's financial statements 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 2017 were as follows:

2015/16		2016/17
£m		£m
	<b>- Opening Net Book Value</b>	<b>5.656</b>
10.820	Newly categorised as Level 2	-
0.058	Additions	0.080
	Revaluations:	
(2.757)	To Revaluation Reserve	-
(2.303)	To Net Cost of Services	(0.095)
(0.072)	Disposals	(0.265)
	- Assets Reclassified	(0.042)
(0.090)	Depreciation charge	(0.092)
<b>5.656</b>	<b>Closing Net Book Value</b>	<b>5.242</b>

### Note 19 – Assets Held for Sale

2015/16		2016/17
£m	Current Assets	£m
<b>0.578</b>	<b>Balance outstanding at start of year</b>	<b>0.636</b>
0.564	Assets newly classified as held for sale	-
	Revaluation Losses:	
(0.223)	To Revaluation Reserve	-
(0.212)	To Net Cost of Services	(0.095)
	- Assets declassified as held for sale	(0.042)
(0.071)	Assets sold	-
<b>0.636</b>	<b>Balance outstanding at year-end</b>	<b>0.499</b>

### Note 20 – Intangible Assets

#### Non Current Assets

The Council accounts for its software and purchased licenses as non current intangible assets. All software is assigned a finite useful life of 5 years and relevant amortisation is as follows:

## Notes to the Annual Accounts

	Carrying Amount		Remaining Amortisation Period
	31 March 2017	31 March 2016	
	£m	£m	
Council Housing System	-	0.002	None
Document Classification	0.012	0.018	2 years
Case Management System	0.006	0.009	2 years
Grants System	0.005	0.007	2 years
Business Intelligence Software	0.005	0.007	2 years
Energywise Software	0.007	-	4 years
	<b>0.035</b>	<b>0.043</b>	

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

	2016/17	2015/16
	£m	£m
<b>Balance at start of year:</b>		
Gross carrying amounts	0.557	0.557
Accumulated amortisation	(0.514)	(0.482)
<b>Net carrying amount at start of year</b>	<b>0.043</b>	<b>0.075</b>
Purchases	0.009	-
Amortisation for the period	(0.017)	(0.032)
<b>Net carrying amount at end of year</b>	<b>0.035</b>	<b>0.043</b>
<b>Comprising:</b>		
Gross carrying amounts	0.566	0.557
Accumulated amortisation	0.531	0.514

### Current Intangible Assets

The Council participates in the CRC and purchased allowances prospectively in April 2015 for the years remaining in the second phase of the scheme, which ends on the 31 March 2019.

31 March 2016		31 March 2017
£m		£m
-	Balance outstanding at start of year	0.905
0.905	Purchases	-
-	Recognised as expense in the year	(0.302)
<b>0.905</b>	<b>Balance outstanding at year-end</b>	<b>0.603</b>

### Note 21 – Capital Commitments

The Council has a number of contractual commitments for capital investment. Details can be found at [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk)

Scheme	Commitment
	£m
Knockroon Learning Campus	7.000
Acquisition of Johnnie Walker Bond	6.940
Moorfield Industrial Units	4.000
Whatriggs Primary School	3.262
Muirkirk Primary School & ECC	3.031
Ingram Business Centre	2.330
Hurford Primary School - Extension	1.440
Riccarton ECC	0.400
Ayr Road Depot, Cumnock	0.238
Fenwick Primary School - Extension	0.209
Auchinleck Primary School - Extension	0.144
Cairns Primary School & ECC - Extension	0.125
<b>Total</b>	<b>29.119</b>

## Notes to the Annual Accounts

### Note 22 – Heritage Assets

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

- The systematic collection of material representative of the human history, natural history and earth sciences of the local area. That is 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.

2015/16		2016/17
£m		£m
57.500	Cost or Valuation at 1 April	60.729
3.229	Revaluations during the year	4.527
60.729	Cost or Valuation at 31 March	65.256
57.500	Opening Net Book Value	60.729
60.729	Closing Net Book Value	65.256

The collections have been reported on the Balance Sheet at their insurance valuation.

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 23 – Inventories

2015/16			2016/17		
Consumable Stores	Maintenance Materials	Total	Consumable Stores	Maintenance Materials	Total
£m	£m	£m	£m	£m	£m
0.541	0.736	1.277	0.647	0.811	1.458
-	-	-	-	-	-
1.305	2.272	3.577	3.097	2.218	5.315
(1.199)	(2.197)	(3.396)	(1.352)	(2.209)	(3.561)
0.647	0.811	1.458	2.392	0.820	3.212

### Note 24 – Debtors

31 March 2016		31 March 2017
£m		£m
7.009	Central Government bodies	8.403
5.451	Other Local Authorities	4.898
2.597	NHS bodies	0.662
-	Public Corporations and trading funds	-
14.080	Other entities and individuals	12.498
29.137	Total	26.461

# Notes to the Annual Accounts

## Note 25 – Creditors

31 March 2016		31 March 2017
£m		£m
(6.069)	Central Government bodies	(6.410)
(0.568)	Other Local Authorities	(1.529)
(0.227)	NHS bodies	(0.166)
(0.142)	Public Corporations and trading funds	(0.519)
(53.472)	Other entities and individuals	(49.648)
<b>(60.478)</b>	<b>Total</b>	<b>(58.272)</b>

## Note 26 – Cash and Cash Equivalents

31 March 2016		31 March 2017
£m		£m
0.134	Cash held by the Council	0.153
(2.098)	Bank current accounts	(1.552)
39.349	Short-term deposits	11.376
<b>37.385</b>	<b>Total Cash and Cash Equivalents</b>	<b>9.977</b>

## Note 27 – Provisions

The Council provides for any short term accumulating compensated absences which employees have earned but not taken at 31 March. An exercise to determine the financial cost of this has been carried out and a provision of £7.615m has been made and transferred to the Accumulated Absences Account.

The Council holds a provision of £0.114m in respect of severance costs previously agreed by Cabinet and the payments will be made in the coming months. A provision of £0.135m has been made in respect of holidays accrued by teachers while on maternity leave. In addition £0.044m is currently held for the costs of backdated holiday pay overtime following the recent legal judgement and £0.123m for potential costs related to Social Work.

A provision of £0.097m exists 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. A provision of £0.170m is held in respect of the potential liability for VAT costs arising from bus shelter advertising income. The provision has been prepared under the requirements of IAS37. The Council is in discussion with HMRC to challenge the outcome.

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.

# Notes to the Annual Accounts

## Note 28 – Financial Instruments

### Categories of Financial Instruments

31 March 2016			31 March 2017	
Long-term £m	Current £m		Long-term £m	Current £m
		<b>Investments</b>		
0.020	20.752	Loans and receivables	0.018	23.735
-	36.087	Available for Sale Financial Assets	-	38.636
<b>0.020</b>	<b>56.839</b>	<b>Total Investments</b>	<b>0.018</b>	<b>62.371</b>
		<b>Debtors</b>		
-	68.620	Loans and receivables	-	37.991
<b>-</b>	<b>68.620</b>	<b>Total Debtors</b>	<b>-</b>	<b>37.991</b>
		<b>Borrowings</b>		
(319.311)	(16.988)	Financial liabilities at amortised cost	(310.876)	(18.778)
<b>(319.311)</b>	<b>(16.988)</b>	<b>Total Borrowings</b>	<b>(310.876)</b>	<b>(18.778)</b>
		<b>Other Long Term Liabilities</b>		
(59.552)	(1.808)	PPP and finance lease liabilities	(58.068)	(1.484)
<b>(59.552)</b>	<b>(1.808)</b>	<b>Total Other Long Term Liabilities</b>	<b>(58.068)</b>	<b>(1.484)</b>
		<b>Creditors</b>		
-	(47.126)	Financial liabilities carried at contract amount	-	(44.709)
<b>-</b>	<b>(47.126)</b>	<b>Total Creditors</b>	<b>-</b>	<b>(44.709)</b>

### Income, Expense, Gains and Losses

2015/16		Financial	Financial	Financial	Assets and	2016/17
Total		Liabilities	Assets:	Assets:	Liabilities at	Total
		measured at	Loans and	Available for	Fair Value	
		amortised	receivables	sale	through	
		cost			CIES	
£m		£m	£m	£m	£m	£m
20.442	Interest expense	19.873				19.873
<b>20.442</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>19.873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.873</b>
(1.002)	Interest Income	-	(0.841)	-	-	(0.841)
<b>(1.002)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(0.841)</b>	<b>-</b>	<b>-</b>	<b>(0.841)</b>
0.008	Gains on revaluation	-	-	(0.009)	-	(0.009)
<b>0.008</b>	<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(0.009)</b>	<b>-</b>	<b>(0.009)</b>
<b>19.448</b>	<b>Net (gain) / loss for the year</b>	<b>19.873</b>	<b>(0.841)</b>	<b>(0.009)</b>	<b>-</b>	<b>19.023</b>

### Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans and receivables and long-term debtors and creditors are carried at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will occur over the remaining term using the following assumptions at 31 March 2017:

- Estimated ranges of interest rates of 0.83% - 2.60% for loans from PWLB and 2.05% - 2.45% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Carrying amount is assumed to approximate fair value for items maturing in the next 12 months;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

## Notes to the Annual Accounts

Financial assets and liabilities are carried at amortised cost. The fair value is required to be disclosed to enable a comparison to the carrying amounts in the Balance Sheet. For 2016/17, the definition of fair value changed to ensure compliance with IFRS 13 Fair Value Measurement which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, emphasising that fair value is a market-based measurement, not an authority specific measurement. Fair value does not need to be disclosed when the carrying amount is a reasonable approximation of fair value and details are as follows:

31 March 2016			31 March 2017		
Carrying			Carrying		
Amount	Fair Value		Amount	Fair Value	
£m	£m		£m	£m	
(263.200)	(365.733)	PWLB Debt	(254.518)	(378.865)	
(71.001)	(97.386)	Non-PWLB Debt	(73.584)	(129.342)	
(49.224)	(49.224)	Short Term Creditors	(46.261)	(46.261)	
(1.808)	(1.808)	Short Term Finance Lease Liability	(1.484)	(1.484)	
(59.552)	(73.582)	Long Term Finance Lease Liability	(58.068)	(74.430)	
<b>(444.785)</b>	<b>(587.733)</b>		<b>(433.915)</b>	<b>(630.382)</b>	

31 March 2016			31 March 2017		
Carrying			Carrying		
Amount	Fair Value		Amount	Fair Value	
£m	£m		£m	£m	
0.020	0.020	Loans and receivables	0.018	0.018	
<b>0.020</b>	<b>0.020</b>		<b>0.018</b>	<b>0.018</b>	

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the 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 2017) arising from a commitment to pay interest to lenders above current market rates. The fair value of PWLB loans measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loan under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £254.518m would be valued at £378.865m. But, if the Council were to seek to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise 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 £378.865m.

### **Note 29 – Nature and Extent of Risks Arising from Financial Instruments**

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

**Credit Risk** : the possibility that other parties might fail to pay amounts due.

**Liquidity Risk** : the possibility that the Council may have insufficient funds to make repayments.

**Market Risk** : the possibility that financial loss might arise as a result of changes in interest rates and stock market movements.

## Notes to the Annual Accounts

Overall risk management focuses on the unpredictability of markets and seeks to minimise potential adverse effects on resources. Risk management is undertaken by a treasury team in line with the annual Treasury Management Strategy. The Council provides written principles for overall risk as well as policies covering areas such as interest rate risk, credit risk and investment of surplus cash. Professional advice on all aspects of Treasury Management is provided by Capita Asset Services.

### *Loans and Receivables*

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A limit is placed on the amount of money that can be invested with a single counterparty and a total group investment limit for institutions that are part of the same banking group is also set.

Although credit ratings remain a key source of information, it is recognised that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement and Investment Strategy 2016/17 approved by Cabinet on 20 April 2016.

These counterparties were selected after analysis and careful monitoring of Credit Ratings, Credit Default Swaps, Gross Domestic Product (GDP), Net Debt as a percentage of GDP, Sovereign Support Mechanisms / potential support from a well-resourced parent institution and Share Price. Throughout 2016/17 the minimum criteria for new investments has been a long term rating of BBB+/BBB1/BBB+ (Fitch/Moody's/S&P). The following table summarises the nominal value of the Council's investment portfolio at 31 March 2017 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria met when investment placed	Credit Rating Criteria met on 31 March 2017	Balance Invested at 31 March 2017					Total £m
			Up to 1 Month	Between 1 and 3	Between 3 and 6	Between 6 and 9	Between 9 and 12	
			£m	£m	£m	£m	£m	
UK Banks	YES	YES	0.022	-	9.704	-	-	9.726
UK Building Societies	YES	YES	-	-	4.008	-	-	4.008
Local Authorities	YES	YES	-	-	5.002	-	-	5.002
Debt Management Office	YES	YES	-	-	-	-	-	-
Money Market Funds	YES	YES	11.354	-	-	-	-	11.354
Non UK Banks	YES	YES	-	-	-	-	43.657	43.657
<b>Total</b>			<b>11.376</b>	<b>-</b>	<b>18.714</b>	<b>-</b>	<b>43.657</b>	<b>73.747</b>

### *Trade Receivables*

At 31 March 2017 the Council's potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £12.196m with a bad debt provision of £4.909m. 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 2016		31 March 2017	
£m		£m	
8.466	Less than three months	5.906	
0.436	Between three and six months	0.378	
0.725	Between six months and one year	0.660	
4.055	More than one year	5.252	
<b>13.682</b>		<b>12.196</b>	

## Notes to the Annual Accounts

### Liquidity Risk

The Council has a comprehensive cash flow system that seeks to ensure that cash is available as needed and has ready access to borrowings from the money markets to cover any daily cash flow need. Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils. The Council is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure.

There is no significant risk that it will be unable to raise finance to meet its commitments. All trade and other payables are due to be paid within one year. The maturity analysis is as follows:

31 March 2016		31 March 2017	
£m		£m	
65.922	Less than one year	64.971	
9.919	Between one and two years	10.415	
29.612	Between two and five years	30.275	
339.332	More than five years	328.254	
<b>444.785</b>		<b>433.915</b>	

### Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. At 31 March 2017 7.8% of the Council's borrowings were held at variable rates of interest. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect is shown below. The impact of a 1% fall in rates would be the same but with the movements being reversed.

	£m
Increase in interest receivable on variable rate investments	0.931
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0.931</b>
<b>Share of overall impact debited to the HRA</b>	<b>0.238</b>
Decrease in fair value of fixed rate investment assets	0.213
<b>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)</b>	<b>73.330</b>

## Notes to the Annual Accounts

### Note 30 – 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 on page 32.

#### Members

Members of the Council 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.

#### Officers

All Chief Officers are required to complete and sign a Related Party declaration for the year to 31 March 2017. These have been reviewed and based on the completed returns there were no such transactions in the year.

#### Entities Controlled or Significantly Influenced by the Council

East Ayrshire Leisure Trust is 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 the body are:

Entity	During 2016/17		As at 31 March 2017	
	Charges to	Charges from	Due from	Due to
	£m	£m	£m	£m
East Ayrshire Leisure Trust	0.812	5.557	0.150	0.737

The Integrated Joint Board is 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 the body are:

Entity	During 2016/17		As at 31 March 2017	
	Charges to	Charges from	Due from	Due to
	£m	£m	£m	£m
Integrated Joint Board	74.760	74.760	-	0.605

### Note 31 – Contingent Assets and Liabilities

The Council is a constituent member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at 31 March 2017 the Council's involvement stands at £1.657m and in the event of the Fund being wound up, there is currently no contingent liability in respect of European Development Fund Grants. The Council does not have an interest in the share capital of any of the companies dealt with by the West of Scotland Loans Fund Ltd.

## Notes to the Annual Accounts

Whilst the Council has made appropriate provision for the settlement of all known claims in respect of Equal Pay the Council recognises the potential for additional compensation claims. 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 Strathclyde Regional Council (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 Limited, one of the insurers of the former SRC and the former Kilmarnock and Loudoun District Council and Cumnock and Doon Valley District Council. Following the Supreme Court ruling on Employers' Liability Insurance "Trigger" Litigation on 28 March 2012 the Council has a provision to meet a clawback of estimated payments made by Municipal Mutual Insurance Limited in respect of known claims. The Council also recognises a contingent liability for claims that may be incurred but have yet to be reported.

### Note 32 – Unusable Reserves

Unusable Reserves are those that the Council is not able to utilise to provide services. The balances held at 31 March 2017 are shown in the following table:

2015/16 Total Unusable Reserves  £m		Unusable Reserves						2016/17
		Revaluation Reserve  £m	Available for Sale Financial Instrument  £m	Capital Adjustment Account  £m	Pensions Reserve  £m	Financial Instruments Adjustment Account  £m	Accumulated Absences Account  £m	Total Unusable Reserves  £m
417.604	Balance at 31 March 2015	365.798	0.002	233.420	(234.616)	(13.741)	(7.750)	343.113
(74.491)	Increase / (Decrease) in 2015/16	(12.721)	(0.008)	(9.169)	69.126	0.399	0.720	48.347
343.113	Balance at 31 March 2016	353.077	(0.006)	224.251	(165.490)	(13.342)	(7.030)	391.460
86.986	Other Comprehensive Income and Expenditure	1.461	0.009	-	(84.731)	-	-	(83.261)
	<b>Adjustments between accounting basis and funding basis under Regulation</b>							
(41.044)	Depreciation of Non Current Assets	(17.340)	-	(25.202)	-	-	-	(42.542)
(23.850)	Impairment of Non Current Assets	-	-	(10.115)	-	-	-	(10.115)
(0.032)	Amortisation of Intangible Assets	-	-	(0.017)	-	-	-	(0.017)
14.435	Capital Grants and Contributions Applied	-	-	11.616	-	-	-	11.616
0.399	Differences relating to Financial Instruments required by statute	-	-	-	-	0.394	-	0.394
0.720	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(0.585)	(0.585)
(3.807)	Net Gain / Loss on Disposal of Fixed Assets	-	-	(8.023)	-	-	-	(8.023)
(33.496)	Net Charges for Retirement Benefits	-	-	-	(28.008)	-	-	(28.008)
17.424	Contributions to Pensions Fund	-	-	-	18.246	-	-	18.246
16.545	Repayment of Debt	-	-	16.553	-	-	-	16.553
2.476	Use of Capital Fund to Finance New Capital Expenditure	-	-	4.242	-	-	-	4.242
11.591	Capital Expenditure Funded in Year	-	-	11.613	-	-	-	11.613
48.347	Increase / (Decrease) in 2016/17	(15.879)	0.009	0.667	(94.493)	0.394	(0.585)	(109.887)
391.460	Balance at 31 March 2017	337.198	0.003	224.918	(259.983)	(12.948)	(7.615)	281.573

## Notes to the Annual Accounts

### Note 33 – 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.

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 2016/17 the financial results for the Alliance are as follows:

Council	Annual	Actual to	Variance
	Estimate	31/3/17	
	2016/17	31/3/17	
	£m	£m	£m
East Ayrshire Council	7.548	6.892	(0.656)
South Ayrshire Council	7.317	7.096	(0.221)
<b>Total</b>	<b>14.865</b>	<b>13.988</b>	<b>(0.877)</b>

Detail	Annual	Actual to	Variance
	Estimate	31/3/17	
	2016/17	31/3/17	
	£m	£m	£m
Employee Costs	8.066	7.810	(0.256)
Premises Costs	0.631	0.641	0.010
Transport Costs	1.828	1.750	(0.078)
Supplies and Services	6.150	7.285	1.135
Third Party Payments	2.796	3.120	0.324
Debt Charges	0.319	0.472	0.153
<b>Total Expenditure</b>	<b>19.790</b>	<b>21.078</b>	<b>1.288</b>
Income	(4.925)	(7.090)	(2.165)
<b>Net Expenditure</b>	<b>14.865</b>	<b>13.988</b>	<b>(0.877)</b>

Strategic Delivery	Annual	Actual to	Variance	Amount Charged to South Ayrshire Council at Year End
	Estimate	31/3/17		
	2016/17	31/3/17		
	£m	£m	£m	
East Ayrshire Council	1.933	1.879	(0.054)	n/a
South Ayrshire Council	2.134	1.995	(0.139)	0.139
<b>Total</b>	<b>4.067</b>	<b>3.874</b>	<b>(0.193)</b>	<b>0.139</b>

Local Delivery	Annual	Actual to	Variance	Amount Charged to South Ayrshire Council at Year End
	Estimate	31/3/17		
	2016/17	31/3/17		
	£m	£m	£m	
East Ayrshire Council	5.615	5.013	(0.602)	n/a
South Ayrshire Council	5.183	5.101	(0.082)	0.082
<b>Total</b>	<b>10.798</b>	<b>10.114</b>	<b>(0.684)</b>	<b>0.082</b>

## Notes to the Annual Accounts

### Note 34 – 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 2017. 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 64. 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						Total Associates
	Strathclyde Partnership for Transport	Strathclyde Concessionary Travel Scheme Joint Committee	Ayrshire Valuation Joint Board	East Ayrshire Leisure Trust	Integrated Joint Board		
	£m	£m	£m	£m	£m	£m	
Surplus/(Deficit) on Operating Activities	1.125	0.002	(0.051)	(0.243)	0.159	<b>0.992</b>	
<b>Balance Sheet extract</b>							
Non Current Assets	9.789	-	0.144	0.062	-	<b>9.995</b>	
Current Assets	4.967	0.155	0.181	0.780	0.303	<b>6.386</b>	
Non Current Liabilities	(2.688)	-	(0.505)	(1.640)	-	<b>(4.833)</b>	
Current Liabilities	(2.279)	(0.059)	(0.043)	(0.515)	-	<b>(2.896)</b>	
<b>Net Assets</b>	<b>9.789</b>	<b>0.096</b>	<b>(0.223)</b>	<b>(1.313)</b>	<b>0.303</b>	<b>8.652</b>	

#### 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 29 members representing the 12 constituent unitary authorities in the West of Scotland plus other interested parties. Of the 29 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%. A copy of the Annual Accounts for SPT can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

#### Strathclyde Concessionary Travel Scheme Joint Committee (SCTS)

The Committee comprises the 12 Councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the 12 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, Consort House, 12 West George Street, Glasgow G2 1HN.

#### 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.

## Notes to the Annual Accounts

The Board maintains the electoral, council tax and non-domestic rates registers for the three Councils of East, North and South Ayrshire. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30.00%.

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 Council has treated the Leisure Trust as a structured entity within the group and is 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, Dick Institute, Elmbank Avenue, Kilmarnock KA1 3BU.

### *East Ayrshire Integration Joint Board*

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 2016/17 was £74.760m. 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 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 1. 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

2015/16 £m		2016/17 £m
	<b>Income</b>	
(42.328)	Dwelling Rents	(43.625)
(0.343)	Non Dwelling Rents	(0.344)
-	Hostel Deficit Grant	-
(1.291)	Any Other Income	(1.052)
<b>(43.962)</b>	<b>Total Income</b>	<b>(45.021)</b>
	<b>Expenditure</b>	
13.617	Repairs and Maintenance	13.516
9.494	Supervision and Management	9.615
32.518	Depreciation and Impairment of Non Current Assets	18.841
0.444	Bad and Doubtful Debt Provision	0.501
1.375	Any Other Expenditure	1.441
<b>57.448</b>	<b>Total Expenditure</b>	<b>43.914</b>
<b>13.486</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(1.107)</b>
<b>0.656</b>	<b>HRA Share of Corporate and Democratic Core</b>	<b>0.597</b>
<b>0.146</b>	<b>HRA Share of Non Distributed Costs</b>	<b>0.034</b>
<b>14.288</b>	<b>Net Cost of HRA Services</b>	<b>(0.476)</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
(0.598)	Capital Grants and Contributions Receivable	(1.415)
<b>(0.598)</b>	<b>Income</b>	<b>(1.415)</b>
1.218	(Gain) or Losses on Disposals of Assets	2.717
<b>1.218</b>	<b>Expenditure</b>	<b>2.717</b>
<b>0.620</b>	<b>HRA Share of Other Operating Expenditure</b>	<b>1.302</b>
	<b>Investment</b>	
(2.027)	Expected Return on Pension Assets	(2.301)
<b>(2.027)</b>	<b>Income</b>	<b>(2.301)</b>
<b>(2.027)</b>	<b>HRA Share of Investment Income</b>	<b>(2.301)</b>
	<b>Financing</b>	
(0.294)	Interest and Investment Income	(0.257)
<b>(0.294)</b>	<b>Income</b>	<b>(0.257)</b>
2.778	Pension Interest Cost	2.886
5.035	Interest Payable and Similar Charges	4.805
<b>7.813</b>	<b>Expenditure</b>	<b>7.691</b>
<b>7.519</b>	<b>HRA Share of Net Finance Expenditure</b>	<b>7.434</b>
<b>20.400</b>	<b>(Surplus) / Deficit on the HRA</b>	<b>5.959</b>

## Movement on the Housing Revenue Account and Notes to the Account

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

2015/16 £m		2016/17 £m
(9.113)	Balance on the HRA brought forward	(9.791)
20.400	(Surplus) or Deficit on the HRA	5.959
(20.963)	Adjustments between accounting basis and funding basis under statute	(8.567)
<b>(0.563)</b>	<b>Net (Increase) or Decrease before transfers to / from Reserves</b>	<b>(2.608)</b>
(0.115)	Transfers to / from Reserves	-
<b>(0.678)</b>	<b>(Increase) / Decrease on the HRA Balance for the Year</b>	<b>(2.608)</b>
<b>(9.791)</b>	<b>Balance on the HRA carried forward</b>	<b>(12.399)</b>

### Note 35 - Notes to the Housing Revenue Account

#### Housing Stock

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

2015/16 Total		Flats	2016/17 Houses	Total
2,504	One Bedroom	1,678	789	2,467
6,428	Two Bedroom	3,286	3,050	6,336
3,543	Three Bedroom	578	2,903	3,481
263	Four Bedroom	15	245	260
3	Five Bedroom	2	1	3
<b>12,741</b>	<b>Total</b>	<b>5,559</b>	<b>6,988</b>	<b>12,547</b>

#### 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:

2015/16		2016/17
£66.24	Average Weekly Rent (52 weeks)	£68.62
4.40%	Current Rent Arrears (as % of Rent Collectable)	3.40%
£2.255m	Total Rent Arrears	£2.498m
£1.797m	Provision for Bad Debt	£2.111m

The Council is required to disclose the loss on void properties and in 2016/17 this amounted to £1.919m. The comparator figure for 2015/16 was £2.043m.

## 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.

2015/16 £m		2016/17 £m
59.057	Gross Council Tax levied and contributions in lieu	59.445
	Deduct	
(8.988)	Council Tax Reduction	(8.618)
(7.428)	Other discounts and reductions	(7.371)
(1.616)	Provision for bad and doubtful debts	(1.647)
0.419	Adjustments to previous years Council Tax and Community Charge	0.651
<b>41.444</b>	<b>Net Council Tax Income Transferred to General Fund</b>	<b>42.460</b>

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 2016/17 was £1,188.99. 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	2016/17 £ per year
A	792.66
B	924.77
C	1,056.88
D	1,188.99
E	1,453.21
F	1,717.43
G	1,981.65
H	2,377.98

### Note 36 – Calculation of the Council Tax base

2015/16		A(d)	A	B	C	D	E	F	G	H	2016/17 Total
57,324	Properties		26,383	9,384	5,125	6,560	6,057	3,153	946	46	57,654
(1,554)	Exemptions		(994)	(228)	(127)	(108)	(75)	(31)	(8)	(3)	(1,574)
	- Disabled Reliefs	90	(11)	(37)	2	34	(45)	(19)	(14)	0	-
(22,032)	Discounts (25%)	(29)	(13,288)	(3,688)	(1,850)	(1,716)	(1,228)	(439)	(95)	(6)	(22,339)
(890)	Discounts (50%)	0	(572)	(140)	(87)	(92)	(65)	(40)	(15)	(2)	(1,013)
<b>49,818</b>	<b>Total equivalent</b>	<b>83</b>	<b>21,770</b>	<b>8,127</b>	<b>4,494</b>	<b>6,011</b>	<b>5,598</b>	<b>2,973</b>	<b>893</b>	<b>41</b>	<b>49,990</b>
	Ratio	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
<b>43,328</b>	<b>Band 'D' equivalent</b>	<b>46</b>	<b>14,513</b>	<b>6,321</b>	<b>3,995</b>	<b>6,011</b>	<b>6,842</b>	<b>4,294</b>	<b>1,488</b>	<b>82</b>	<b>43,592</b>
(8,209)	Council Tax Reduction	(23)	(5,090)	(1,362)	(545)	(385)	(265)	(83)	(19)	0	(7,773)
<b>35,119</b>	<b>Band 'D' equivalent after CTR</b>	<b>23</b>	<b>9,423</b>	<b>4,959</b>	<b>3,450</b>	<b>5,626</b>	<b>6,577</b>	<b>4,211</b>	<b>1,469</b>	<b>82</b>	<b>35,819</b>
(1,159)	Bad debt provision										(859)
<b>33,960</b>											<b>34,960</b>

## 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.

2015/16		2016/17
£m		£m
<b>39.174</b>	<b>Gross rates levied and contributions in lieu</b>	<b>39.859</b>
	Deduct	
(9.450)	Reliefs and reductions	(9.085)
(0.887)	Provision for bad and doubtful debts	(0.919)
<b>28.837</b>	<b>Net Non-Domestic Rate Income</b>	<b>29.855</b>
(1.127)	Prior year pool	(0.441)
5.140	Contributions (to)/from National Non-Domestic Rate Pool	0.825
<b>32.850</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement</b>	<b>30.239</b>

### Note 37 – Analysis of Rateable Values

	Number	£m
Shops	1,085	24.895
Industrial & Freight Transport Subjects	939	14.152
Offices (including Banks)	517	6.773
Other	251	0.790
Public Service Subjects	232	5.680
Leisure, Entertainment, Caravans and Holiday Sites	183	3.614
Garages and Petrol Stations	144	1.303
Public Houses	106	2.119
Religious	90	0.782
Education and Training	69	8.764
Health Medical	66	4.003
Care Facilities	50	2.235
Hotels, Boarding Houses, etc.	29	0.982
Advertising	29	0.073
Cultural	23	0.335
Undertaking	28	1.600
Quarries, Mines, etc.	9	2.403
Sporting Subjects	8	0.138
Petrochemical	2	0.218
	<b>3,860</b>	<b>80.859</b>

### Note 38 – 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 2016/17 was 48.4p, with a large business supplement of 2.6p.

## Remuneration Report

All information disclosed in the tables in this Remuneration Report has been audited by Deloitte. All other sections of the Remuneration Report have been reviewed by Deloitte 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 2016/17 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £33,789. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them at £25,341.

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 £33,789 = £25,341). 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 £0.295m. 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 2016/17 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 £0.295m. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £0.354m. 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 17 May 2012. The annual return of Members Expenses is available at [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk).

### Remuneration of Councillors

2015/16		2016/17
£m		£m
0.652	Salaries	0.657
0.026	Expenses	0.021
<b>0.678</b>	<b>Total</b>	<b>0.678</b>

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 paid by the Council, disclosed as part of the pension benefits disclosure:

Total Remuneration 2015/16	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits in kind	Total Remuneration 2016/17
£			£	£	£	£
20,902	J Campbell	Depute Provost	21,110	-	-	21,110
25,082	T Cook	Depute Leader of the Council	25,331	-	-	25,331
24,617	I Linton	Senior Councillor	24,862	-	-	24,862
24,617	E MacColl	Senior Councillor	24,862	-	-	24,862
25,946	R McDill	Senior Councillor	24,862	-	-	24,862
26,809	M McKay	Leader of the Opposition	24,862	-	-	24,862
26,889	W Menzies	Chair of Governance and Scrutiny Committee	25,331	-	-	25,331
24,617	K Morrice	Senior Councillor	24,862	-	-	24,862
25,602	S Primrose	Senior Councillor	24,862	-	-	24,862
33,782	D Reid	Leader of the Council	33,777	-	-	33,777
27,231	J Roberts	Senior Councillor	24,862	-	-	24,862
18,265	H Ross	Senior Councillor	24,862	-	-	24,862
25,083	J Todd	Provost	25,332	-	-	25,332
-	E Whitham	Senior Councillor (Note 1)	9,278	-	-	9,278
3,045	J McFadzean	Vice-Convenor Ayrshire Valuation Joint Board	3,045	-	-	3,045
24,617	J Buchanan	Senior Councillor (until 28 Oct 2016)	15,296	-	-	15,296
<b>357,104</b>			<b>357,396</b>	-	-	<b>357,396</b>

Note 1: Councillor E Whitham was a Senior Councillor from 3 November 2016 and the full year cost is £24,870.

### *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/148 sets the amount of salary for the Chief Executive of the Council for the period 2015 to 2017. 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 be reimbursed for business travel and other business related costs in accordance with amounts agreed nationally by the SJNC or as approved locally by the Council. Chief Officers are eligible to join the Local Government Pension Scheme. The Council discloses the remuneration for all Chief Officers which is in excess of the statutory disclosure requirements.

# Remuneration Report

Total Remuneration 2015/16	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Compensation for Loss of Employment	Total Remuneration 2016/17
£			£	£	£	£
126,768	F Lees	Chief Executive (Note 1)	131,703	-	-	131,703
109,031	A McPhee	Depute Chief Executive and Chief Financial Officer (Note 1)	111,842	-	-	111,842
108,231	C McAleavy	Depute Chief Executive: Safer Communities (Note 1)	109,664	-	-	109,664
108,231	E Fraser	Director of Health & Social Care (Note 2)	109,414	-	-	109,414
87,497	D Mitchell	Chief Governance Officer (Note 1)	89,778	-	-	89,778
84,129	C McArthur	Head of Finance and ICT (Note 1)	86,691	-	-	86,691
84,734	A Ward	Head of Education	87,860	-	-	87,860
74,451	W Walkinshaw	Head of Democratic Services (Note 3)	32,235	-	132,721	164,956
72,215	M Keane	Head of Planning and Economic Development	80,669	-	-	80,669
-	P McGowan	Head of Human Resources (Note 4)	75,421	-	-	75,421
82,135	S Turner	Head of Ayrshire Roads Alliance	80,669	-	-	80,669
79,800	A Kennedy	Head of Facilities and Property Management	80,669	41	-	80,710
38,519	K Kelly	Head of Housing and Communities (Note 1)	84,763	-	-	84,763
82,830	S Taylor	Head of Children's Health, Care and Justice Services	84,690	-	-	84,690
79,866	A Black	Head of Community Health and Care Services	80,669	-	-	80,669
79,866	P Milliken	Head of Primary Care and Out of Hours	80,669	-	-	80,669
58,944	E Mackay	Chief Auditor	59,530	-	-	59,530
<b>1,357,247</b>			<b>1,466,936</b>	<b>41</b>	<b>132,721</b>	<b>1,599,698</b>

Note 1 The 2016/17 Remuneration for the Chief Executive, Depute Chief Executive and Chief Financial Officer, the Depute Chief Executive: Safer Communities, the Chief Governance Officer, the Head of Finance and ICT and the Head of Housing and Communities includes fees paid in respect of the Scottish Parliament Election (5 May 2016) and the EU Referendum (23 June 2016). Fees received were £4,497, £2,428, £250, £1,918, £2,428 and £500 respectively.

Note 2 The Director of Health and Social Care is the Chief Officer of the Integration Joint Board (IJB). These costs are replicated in the IJB Accounts.

Note 3 The Head of Democratic Services left the Council on 31 July 2016 and the table reflects the part year cost. The full year cost of this post was £75,226.

Note 4 The Head of Human Resources was in post from 13 April 2016 and the table reflects the part year cost. The full year cost of this post was £80,697.

Details of Chief Officers who left the Council during 2015/16 can be found at:

<https://www.east-ayrshire.gov.uk/Resources/PDF/A/Annual-Accounts-2015-16-final-audited-2016-09-29-13-30-28-640.pdf>

## 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 2016/17. 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.

2015/16 Total	Remuneration band	Number of Employees			Left During Year
		2016/17 Officers	2016/17 Teachers	2016/17 Total	
66	£50,000 – £54,999	31	51	82	-
26	£55,000 – £59,999	12	11	23	-
8	£60,000 – £64,999	6	3	9	-
-	£65,000 – £69,999	-	3	3	-
6	£70,000 – £74,999	-	3	3	-
3	£75,000 – £79,999	1	2	3	-
6	£80,000 – £84,999	9	-	9	1
3	£85,000 – £89,999	1	-	1	-
-	£90,000 – £94,999	1	-	1	-
-	£95,000 – £99,999	-	-	-	-
-	£100,000 – £104,999	-	-	-	-
3	£105,000 – £109,999	3	-	3	-
-	£110,000 – £114,999	-	-	-	-
1	£115,000 – £119,999	-	-	-	-
-	£120,000 – £124,999	-	-	-	-
1	£125,000 – £129,999	1	-	1	-
-	£160,000 – £164,999	1	-	1	1
1	£185,000 – £189,999	-	-	-	-
<b>124</b>		<b>66</b>	<b>73</b>	<b>139</b>	<b>2</b>

### 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 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			Accrued Pension Benefits	
	For year to	For year to		As at	Difference from
	31 March 2017	31 March 2016		31 March 2017	31 March 2016
	£	£		£000	£000
J Campbell	4,074	4,034	Pension	4	1
Depute Provost			Lump Sum	2	-
T Cook	4,889	4,841	Pension	4	-
Depute Leader of the Council			Lump Sum	2	-
I Linton	4,798	4,751	Pension	4	-
Senior Councillor			Lump Sum	2	-
E MacColl	4,798	4,751	Pension	2	-
Senior Councillor			Lump Sum	-	-
R McDill	4,798	4,751	Pension	4	-
Senior Councillor			Lump Sum	2	-
W Menzies	4,889	4,841	Pension	4	1
Chair of Governance and Scrutiny Committee			Lump Sum	2	-
K Morrice	4,798	4,751	Pension	4	-
Senior Councillor			Lump Sum	2	-
S Primrose	4,798	4,751	Pension	2	-
Senior Councillor			Lump Sum	-	-
D Reid	6,519	6,455	Pension	6	1
Leader of the Council			Lump Sum	3	-
H Ross	4,798	3,525	Pension	4	-
Senior Councillor			Lump Sum	2	-
J Todd	4,889	4,841	Pension	4	-
Provost			Lump Sum	2	-
E Whitham	1,791	-	Pension	1	1
Senior Councillor (from 3 Nov 2016)			Lump Sum	-	-
J Buchanan	2,952	4,751	Pension	-	-8
Senior Councillor (until 28 Oct 2016)			Lump Sum	-	-16
<b>Total</b>	<b>58,791</b>	<b>57,043</b>			

Note 1 The Accrued Pension Benefits figures have been provided by Strathclyde Pension Fund.

Note 2 Councillor M McKay and Councillor J Roberts are not members of the Strathclyde Pension Fund.

# Remuneration Report

## 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			Accrued Pension Benefits	
	For year to	For year to		As at	Difference from
	31 March 2017	31 March 2016		31 March 2017	31 March 2016
	£	£	£000	£000	
F Lees	24,551	24,306	Pension	67	3
Chief Executive			Lump Sum	147	2
A McPhee	21,117	20,889	Pension	56	3
Depute Chief Executive and Chief Financial Officer			Lump Sum	122	1
C McAleavey	21,117	20,889	Pension	61	3
Depute Chief Executive: Safer Communities			Lump Sum	136	1
E Fraser	21,117	20,889	Pension	44	2
Director of Health and Social Care			Lump Sum	87	1
D Mitchell	16,957	16,788	Pension	34	2
Chief Governance Officer			Lump Sum	64	-
C McArthur	16,263	16,083	Pension	30	2
Head of Finance and ICT			Lump Sum	56	1
A Ward	16,957	16,343	Pension	4	4
Head of Education			Lump Sum	-	-
W Walkinshaw	5,300	14,369	Pension	40	3
Head of Democratic Services			Lump Sum	92	7
M Keane	15,569	13,938	Pension	16	15
Head of Planning and Economic Development			Lump Sum	35	35
P McGowan	14,556	-	Pension	29	29
Head of Human Resources			Lump Sum	55	55
S Turner	15,569	15,414	Pension	5	2
Head of Ayrshire Roads Alliance			Lump Sum	-	-
A Kennedy	15,569	15,396	Pension	24	2
Head of Facilities and Property Management			Lump Sum	38	-
K Kelly	16,263	13,558	Pension	30	2
Head of Housing and Communities			Lump Sum	54	-
S Taylor	16,297	15,986	Pension	37	2
Head of Children's Health, Care and Justice Services			Lump Sum	75	1
A Black	15,569	15,414	Pension	4	2
Head of Community Health and Care Services			Lump Sum	-	-
P Milliken	15,569	15,414	Pension	3	1
Head of Primary Care and Out of Hours			Lump Sum	-	-
E Mackay	11,489	11,376	Pension	23	1
Chief Auditor			Lump Sum	45	1
<b>Total</b>	<b>279,829</b>	<b>267,052</b>			

# 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 in the table. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. £0.432m for severance costs was funded in 2016/17 approved either by Cabinet or under the Head of Human Resources' delegated authority.

2015/16					2016/17					
No	Compulsory Redundancies		Other Departures		Exit Packages Bands	No	Compulsory Redundancies		Other Departures	
	Cash Value	Notional CAY Value	Cash Value	Notional CAY Value			Cash Value	Notional CAY Value	Cash Value	Notional CAY Value
	£000	£000	£000	£000		£000	£000	£000	£000	
28	-	-	171	-	£0 – £20,000	15	-	-	153	-
2	-	-	24	19	£20,001 – £40,000	3	-	-	108	-
1	-	-	46	-	£40,001 – £60,000	1	-	-	46	-
-	-	-	-	-	£60,001 – £80,000	-	-	-	-	-
-	-	-	-	-	£80,001 – £100,000	1	-	-	30	54
-	-	-	-	-	£100,001 – £150,000	2	-	-	95	119
<b>31</b>	<b>-</b>	<b>-</b>	<b>241</b>	<b>19</b>		<b>22</b>	<b>-</b>	<b>-</b>	<b>432</b>	<b>173</b>

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.

**Councillor Douglas Reid**

**Leader of the Council**

**28 September 2017**

**Fiona Lees**

**Chief Executive**

**28 September 2017**

## 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 2017

2015/16				2016/17		
Usable Reserve:	Unusable Reserves :	Total Reserves		Usable Reserve:	Unusable Reserves :	Total Reserves
Capital and Revenue	Revaluation Reserve			Capital and Revenue	Revaluation Reserve	
£m	£m	£m		£m	£m	£m
0.211	10.216	10.427	Balance at 31 March 2016	0.247	9.349	9.596
(0.245)	-	(0.245)	Surplus / (Deficit) on the Provision of Services	(0.264)	-	(0.264)
-	(0.586)	(0.586)	Surplus / (Deficit) on the Revaluation of Fixed Assets	-	(0.036)	(0.036)
0.281	(0.281)	-	- Depreciation of Non Current Assets	0.276	(0.276)	-
-	-	-	- Net Gain / (Loss) on Disposal of Fixed Assets	0.118	(0.118)	-
0.247	9.349	9.596	Balance at 31 March 2017	0.377	8.919	9.296

### Comprehensive Income and Expenditure Statement for the Year ended 31 March 2017

2015/16				2016/17		
Expenditure	Income	Net		Expenditure	Income	Net
£m	£m	£m		£m	£m	£m
0.281	(0.035)	0.246	Net Cost Of Services	0.276	-	0.276
-	-	-	- (Gain) / Losses on disposal of assets	-	(0.011)	(0.011)
-	(0.001)	(0.001)	Interest and Investment Income	-	(0.001)	(0.001)
		0.245	(Surplus) or Deficit			0.264
		0.586	(Surplus) or deficit on revaluation of fixed assets			0.036
		0.831	Total Comprehensive (Income) / Expenditure			0.300

### Balance Sheet at 31 March 2017

2015/16		2016/17
£m		£m
9.349	Property Plant and Equipment	8.919
9.349	Non Current Assets	8.919
0.247	Short Term Investments - Loans Fund	0.377
0.247	Current Assets	0.377
9.596	Net Assets	9.296
0.247	Usable Reserves: Capital and Revenue Reserves	0.377
9.349	Unusable Reserves: Revaluation Reserve	8.919
9.596	Net Reserves	9.296

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

Cost or Valuation:	Stewarton	Darvel	Newmilns	Cumnock	Galston	Kilmarnock	TOTAL
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2016	0.121	1.276	0.070	1.151	0.040	7.249	9.907
Revaluations	-	-	-	-	(0.040)	-	(0.040)
Disposals	(0.121)	-	-	-	-	-	(0.121)
At 31 March 2017	-	1.276	0.070	1.151	-	7.249	9.746
Depreciation and Impairment:							
At 1 April 2016	(0.003)	(0.078)	(0.009)	(0.067)	(0.004)	(0.397)	(0.558)
Depreciation charge	-	(0.039)	(0.004)	(0.034)	-	(0.199)	(0.276)
Depreciation written out - Revaluations	0.003	-	-	-	0.004	-	0.007
At 31 March 2017	0.000	(0.117)	(0.013)	(0.101)	-	(0.596)	(0.827)
Net Book Value at 31 March 2016	0.118	1.198	0.061	1.084	0.036	6.852	9.349
Net Book Value at 31 March 2017	0.000	1.159	0.057	1.050	-	6.653	8.919

## 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](http://www.oscr.org.uk).

2015/16			2016/17			
Capital Fund £	Revenue Fund £	Total Funds £	Fund Balances	Capital Fund £	Revenue Fund £	Total Funds £
35,736.36	423,222.18	458,958.54	Opening Balances at 1 April 2016	34,020.91	389,660.13	423,681.04
-	2,588.72	2,588.72	Trusts Registered In Year	-	-	-
(1,715.45)	(49,486.43)	(51,201.88)	Expenditure	-	(31,008.65)	(31,008.65)
-	13,335.66	13,335.66	Income	-	2,626.36	2,626.36
(1,715.45)	(33,562.05)	(35,277.50)	Surplus / (Deficit)	-	(28,382.29)	(28,382.29)
34,020.91	389,660.13	423,681.04	Closing Balances at 31 March 2017	34,020.91	361,277.84	395,298.75

2015/16 £	Balance Sheet as at 31 March 2017	2016/17 £
1,030.00	Investments - External	1,030.00
422,651.04	Investments - Loans Fund	394,268.75
423,681.04		395,298.75
<b>Financed By:</b>		
34,020.91	Capital Funds	34,020.91
389,660.13	Revenue Funds	361,277.84
423,681.04	Closing Balance at 31 March 2017	395,298.75

Name	Origin and Purpose	Loans Fund	External Investment	Total
		£	£	£
Archibald Taylor Fund (SCO19308)	To provide special nursing or convalescent treatment or a holiday during convalescence	352,595.83	-	352,595.83
Mrs E McWhirter Trust (SCO25073)	To maintain burial grounds at Dalmellington	709.15	1,030.00	1,739.15
Miss Annie Smith Mair Bequest (SCO21095)	To assist persons from Newmilns and Greenholm	40,963.77	-	40,963.77
		394,268.75	1,030.00	395,298.75

Assets held on behalf of the Misses Murray Legacy Trust were distributed during the year. The Trust is now in the process of making application to wind up.

The Council also administers 33 Trusts which are not registered with OSCR. The combined income of these Trusts in 2016/17 was £2,390 and expenditure was £875. The total assets of the Trusts at 31 March 2017 were £197,004.

## 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.

**Corporate and Democratic Core.** Comprises all activities which local authorities engage in specifically because they are democratically elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

**Corporate Governance.** The Council has approved and adopted a code of corporate governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework for Corporate Governance in Local Government. A Corporate Governance Statement of Assurance is included within the Annual Accounts.

**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.

## Glossary of Terms

**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.

**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.

**Fixed Assets.** Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**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 assessments 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.

## Glossary of Terms

**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.

**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.

**SerRCOP.** Service Reporting Code of Practice.

**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.

# Independent Auditor's Report

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

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 approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### 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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cashflow Statement, the council-only Expenditure and Funding Analysis, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-Domestic Rate Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services 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 2016/17 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 of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 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 Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Depute Chief Executive and Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Depute Chief Executive and 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 Depute Chief Executive and 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.

# Independent Auditor's Report

## Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Depute Chief Executive and Chief Financial Officer; and the overall presentation of the financial statements.

Our objectives are to achieve 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&I) 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.

## Other information in the annual accounts

The Depute Chief Executive and Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements 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 in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

## Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable 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).

## Independent Auditor's Report

### 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 auditable 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.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom  
28 September 2017

# iese Awards 2017

Proud to be council of the year



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۔

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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.