EAST AYRSHIRE COUNCIL

ANNUAL ACCOUNTS 2020:21

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MANAGEMENT COMMENTARY

MANAGEMENT COMMENTARY

This management commentary is designed to help users of our Annual Accounts assess how we have performed during 2020/21 and to understand our financial performance for the year ended 31 March 2021. It also outlines our approach to some of the challenges and risks we face as we continue to deliver positive outcomes for our communities whilst maintaining financial stability. This has never been more important as we move forward into Covid-19 recovery.

Coronavirus (Covid-19)

Last year's Management Commentary noted the Covid-19 restrictions introduced in March 2020 and gave an overview of the early actions we took in response to the pandemic. Little did we know that the pandemic would have such a dreadful impact across the globe and on East Ayrshire, our towns and villages and the families and individuals within them. There were many strands to our Covid-19 response but this commentary is tasked with providing this information within a financial context. In the last year we have seen significant spend due to Covid-19, we have experienced a loss of income as people stayed at home and didn't use our services and there was also substantial grant funding provided to us to enable grants to be paid to support businesses and families that were hardest hit by the pandemic.

The regular East Ayrshire Performs report to Elected Members gave updates on our financial position throughout the year and provided additional information on Council Tax and rent arrears, Scottish Welfare Fund and Council Tax Reduction applications along with a range of other data so that Members could see first-hand the impact that Covid-19 was having throughout East Ayrshire. This information led to targeted support as well as a relaxation of follow up on Council Tax and rent arrears recognising the pressures that many were facing.

The updates noted that we had provided over 750,000 meals to children and families since March 2020, given financial support to businesses that were ineligible for any of the Covid-19 Business Grants, provided energy card top ups to households impacted most by Covid-19 and sustained the community larders delivered by our communities. At the same time we saw a steady rise in our DWP claimant count, a substantial increase in those claiming Universal Credit and all of this was set against data that showed that over 14,000 of our residents had been furloughed from their jobs.

During the year we received £76m of Covid-19 grant funding from the Scottish Government which was then used to provide grants in line with government policy. Our General Fund Uncommitted balance began the year at £9.423m and this remained steady throughout the year ending slightly up at £9.518m. The 2021/22 Revenue Budget report presented to Council on 4 March 2021 signalled that the Scottish Government planned to provide substantial funds to councils to enable them to provide Covid-19 recovery into the short to medium term and we received a share of £275m, with a share of a further £259m and £40m expected in 2021/22. This will enable us to continue to provide support but will have to be carefully managed because although the news today is more positive than it was last year, we know that our communities are still suffering the effects of the pandemic and that this will last for a considerable time to come.

Moving forward we will continue to review and update our financial plans and modelling to take account of the latest information from both Scottish and UK Governments as well as data from other sources to ensure that our plans remain current and accurate. Our plans for recovery will align to the actions and objectives contained within our Community Planning Delivery Action Plans that will be fundamental in driving our Council and our communities forward, taking account of the benefits that will accrue from a wide range of initiatives including the Ayrshire Growth Deal and from community wealth building.

"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."

(Source: East Ayrshire Community Plan 2015 - 2030)

ABOUT EAST AYRSHIRE

32

Councillors
32 elected members

- 14 SNP
- 9 Labour
- 6 Conservative
- 2 Independent
- 1 Rubbish Party

Largest towns :

- Kilmarnock population: 46,132
- Cumnock population: 8,611

Council workforce

6,390 employees

- Male: 25.6%
- Female: 74.4%

Population: 122,010

Male: 48.5%

Female: 51.5%

Ages 0 - 15: 17%

Ages 16 - 64: 63%

Ages 65+: 20%

2020/21 Revenue Budget:
£352.594m

2020/21 Capital Budget:
£96.184m

Infrastructure

- 301 council buildings
- 12,115 council houses
- 1,207 km of road network

Land Area **490 square miles**

Urban Land: 3.4%

Rural land: 96.6%

Economy

- 72.0% adults in employment
- 3,100 businesses operating across the area

Poverty and deprivation:

- 22% datazones in the 0 -15% SIMD 2020 most deprived in East Ayrshire

Statistics are based on the most recent data available

Between 2018 and 2028 the number of people living in East Ayrshire is forecast to fall by 1.7%, while the population of Scotland is projected to increase by 1.8% over the same period. The projected change is not evenly spread across the different age groups and this will significantly impact on the services we provide.

OUR VISION AND PRIORITIES

East Ayrshire Community Plan is recognised by all Community Planning Partners as the sovereign strategic planning document for the delivery of public services across the local area. The Community Plan sets out how we will work to realise our shared Vision for the area for the period from 2015 to 2030.

"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."

(Source: East Ayrshire Community Plan 2015-2030)

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

The thematic priorities of our Community Plan, which acts as our Corporate Plan, continue to be progressed through the implementation of three strategic Delivery Plans, operating for the three-year period 2018-2021 and these are mirrored by our management structure as follows:

- **Economy and Skills**
- **Safer Communities**
- **Wellbeing**

Our strategic priorities are aligned with the three Community Planning Partnership Board priorities for 2018-2021 and are reflected across all of our work:

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

OUR PERFORMANCE

Our Annual Performance Report consolidates and summarises our partnership and service performance over the year, to support our public performance reporting arrangements. Our annual performance reports can be viewed on the Council's website.

Partnership Performance

The Local Outcomes Improvement Plan 2018-2021 (LOIP) underpins our Community Plan and provides the performance management framework against which we demonstrate progress and achievement towards improving outcomes for our communities and local people. Local outcomes and performance measures identified in our LOIP are linked to the National Performance Management Framework, where and when appropriate.

Our annual performance is reported to a joint meeting of the Council and the Community Planning Partnership Board in September. The LOIP Improvement Agenda supports our work to improve performance going forward and LOIP Annual Report is available at **www.east-ayrshire.gov.uk**.

The new three year LOIP for the period 2021/22 to 2023/24 was presented to the Council and Community Planning Partnership Board on 24 June 2021 for approval as part of the overarching review of the Community Plan.

Service Performance

Service performance is summarised through a range of Statutory Performance Indicators, which are reported to the Council on an annual basis. Further information on our services is available on the Council's website at:
https://our.east-ayrshire.gov.uk/MyServices

Comparing Our Performance

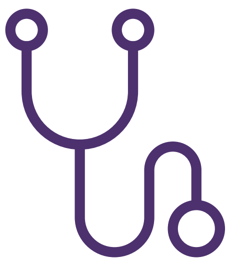
Our performance is compared through a range of national benchmarking forums, including the Local Government Benchmarking Framework (LGBF), as a means of identifying good practice and supporting continuous improvement. Importantly, we use benchmarking to support our work to ensure that local communities receive the best possible services and outcomes.

The latest LGBF data available (2019/20) was published in March 2021 and helps councils to compare their performance against a set of efficiency, output and outcome indicators that cover a range of service areas of local government activity. In 2019/20, 56.3% of our LGBF indicators in East Ayrshire were in the top two quartiles. In addition, we have seen an improving longer term trend in 65.0% of performance indicators between 2010/11 and 2019/20, and improving/maintaining performance in 52.5% of indicators between 2018/19 and 2019/20. A copy of the 2019/20 LGBF Benchmarking Report can be accessed **here**.

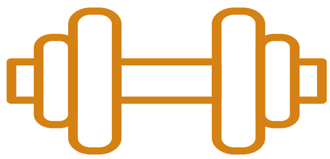
In 2019/20, some examples of where our performance was among the top performing councils in Scotland include:

percentage of council dwellings that are energy efficient

cost per dwelling of collecting Council Tax



sickness/absence per employee



cost per attendance at sports facilities

A few areas which we are exploring for improvement include:

percentage of income due from Council Tax received by end of year

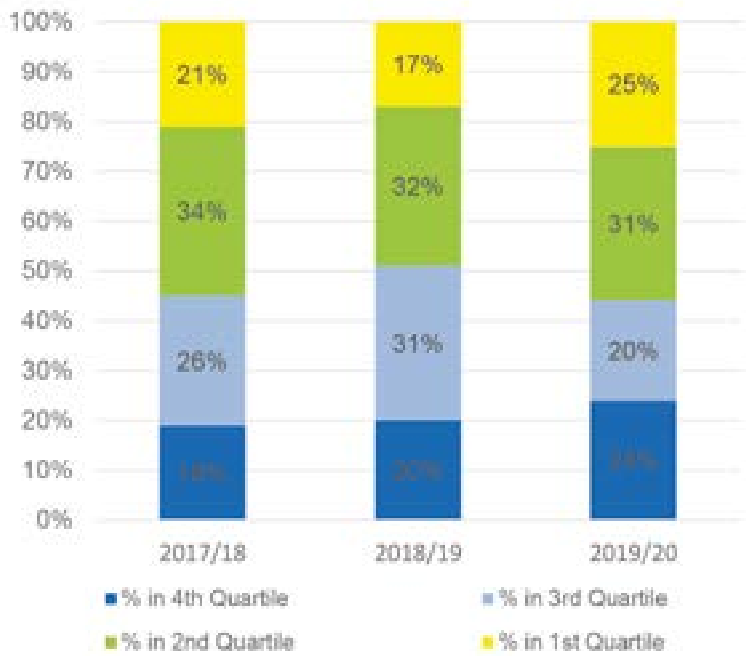
proportion of care services graded 'good' or better in Care Inspectorate inspections

cost per library visit
(adjusted for inflation)

cost of planning & building standards per planning application
(adjusted for inflation)

East Ayrshire Council

Percentage of LGBF Indicators in Each Quartile 2017/18 - 2019/20

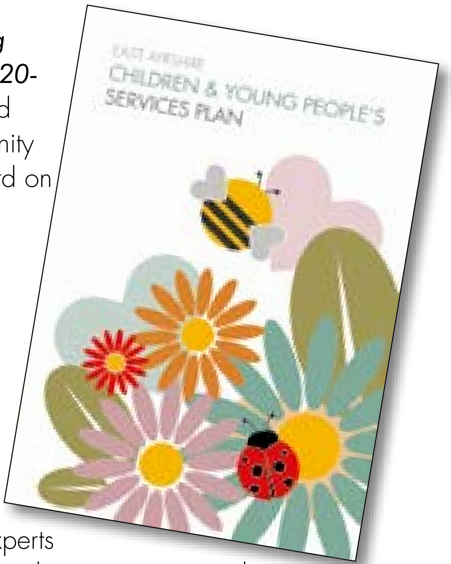


Performance is reported annually to the Council's Governance and Scrutiny Committee, following review and extensive analysis of the national LGBF datasets. The report to Members details East Ayrshire's position in respect of the LGBF indicators against all the other Scottish councils and provides an opportunity to identify where the Council is performing well and areas for improvement. We continue to take a targeted approach to improving performance. This report is available to services across the Council and publicly accessible on the Council's website.

Further information on how we compare with other Scottish councils is available on the 'mylocalcouncil' portal: **https://www.improvementservice.org.uk/benchmarking/explore-the-data**

HIGHLIGHTS 2020/21

The *"Children and Young People's Service Plan 2020-23"* was presented to and approved by the Community Planning Partnership Board on 24 September 2020.



In developing the Plan, partners listened to and heard from our children and young people, their families, carers and people who are involved in their lives. It is recognised that children and young people are experts and our strongest assets, and we are committed to continuing to work together for better outcomes.

Over the lifetime of the Plan, the focus will be on:

- **recovery and renewal from the impact of Covid-19;**
- **tackling poverty;**
- **respecting and promoting children and young people's rights;**
- **improving wellbeing;**
- **achieving; and**
- **keeping safe.**

The Children and Young People's Plan will be subject to annual review starting in September 2021.

AYRSHIRE GROWTH DEAL

Ayrshire Growth Deal: The Ayrshire Growth Deal (AGD) was officially signed on 19 November 2020 and this will see investment of over £250m across the three council areas. It is anticipated that this will attract private sector investment of around £300m and deliver 7,000 new jobs across a wide range of sectors, transforming the local economy for the benefit of all our people and places.

The Integrated Joint Board received an *Independent Review of Adult Social Care services on the 3 February 2021*. The Independent advisory panel was made up of Scottish and International experts supported the chair Derek Feeley to carry out the review. The principal aim of the review was to recommend improvements to adult social care in Scotland, primarily in terms of the outcomes achieved by and with people who use services, their carers and families, and the experience of people who work in adult social care. The review took a human-rights based approach. The Independent Review concluded at the end of January 2021 and its report, together with an accompanying short film, was published on 3 February 2021.

EXTERNAL VALIDATION

Our performance is subject to scrutiny by a range of external audit and inspection agencies, which provide assurance that our services are well managed, fit for purpose and value for money and, importantly, meet the needs of service users. In addition, a range of our work has been widely recognised locally and nationally, and has been successful in attracting a number of prestigious awards over the year. Examples of our achievements in 2020/21 include the following:

- East Ayrshire Federation of Residents and Tenants (EAF) won the Chartered Institute of Housing Partnership Award for an explanatory video on the East Ayrshire Council Housing Tenancy Agreement. The video explains the Council's Housing Tenancy Agreement and how new and existing tenants can access the newly developed tenancy tool, this has ensured all tenants have a better understanding of their tenancy agreement. The tenancy agreement video is the culmination of an ever strengthening collaborative approach to tenant participation and scrutiny. It highlights the positive outcomes that can be achieved when people are at the heart of what we do.

People @ the ♥ of everything we do

- Barry Young, a painter with Housing Asset Services, has been recognised by the Scottish Trade Unions Congress (STUC) with an award for "2020 Learner of the Year". Barry won the award in recognition of two aspects of his life, firstly, in his working role and spare time Barry provides vital support and mentoring to apprentices, a role which has become increasingly vital during lockdown and secondly, through his truly life-changing commitment to his role as a suicide First Aider with the Council's Here to Listen suicide prevention programme which provides support to anyone having suicidal thoughts.

EAC SUICIDE PREVENTION HERE TO LISTEN

OUR FINANCIAL PERFORMANCE

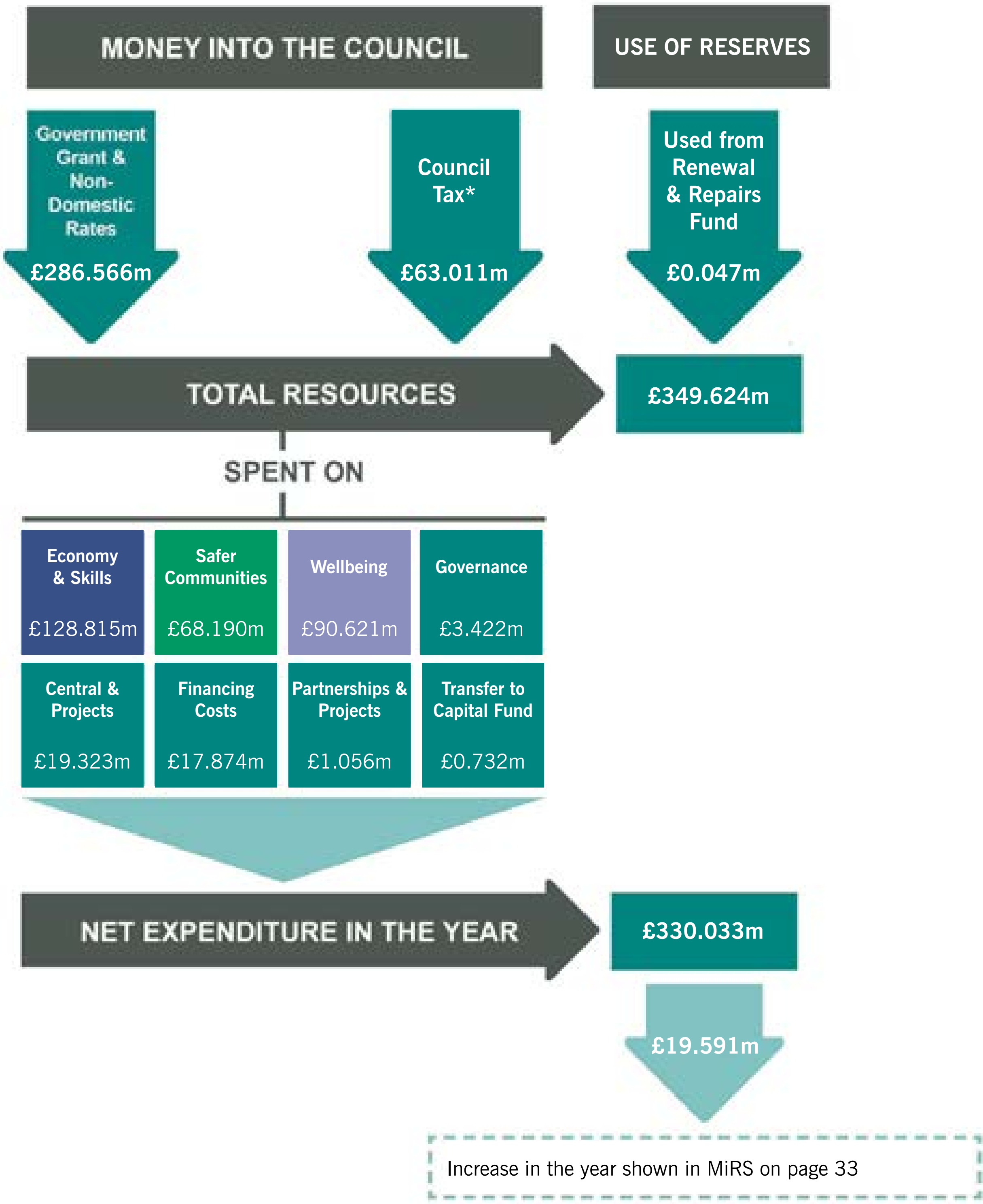
Financial information is a key element of our performance management framework and East Ayrshire Performs reports are presented to Cabinet and to the Governance and Scrutiny Committee throughout the year and are available on our website. Our management accounting arrangements are aligned with our management structure and are based on the Community Planning themes shown on page 7.

Our **Outturn East Ayrshire Performs** report presented to Cabinet on 16 June 2021 showed our end of year position as being a required draw on reserves of £0.063m. However, for the purposes of these Accounts we are required to follow generally accepted accounting principles and standards which align our Accounts to those in the private sector and these include entries for pensions and depreciation on our non-current assets. The following table sets out the adjustments between East Ayrshire Performs and these Accounts.

	General Fund £m	HRA £m	Total EAC £m
Reduction/(Increase) in Uncommitted General Fund/HRA Balance (EAC Performs Outturn)	**0.063**	**(4.639)**	**(4.576)**
Adjust for:			
Utilisation of previous years balances	7.207	-	**7.207**
Proposed earmarked balances within the year	(26.861)	-	**(26.861)**
Movement in Balance shown in Annual Accounts (MIRS)	**(19.591)**	**(4.639)**	**(24.230)**
Add accounting adjustments that don't feature in the EAC Performs Outturn report			
Depreciation	23.334	11.865	**35.199**
Impairment	10.311	6.783	**17.094**
Amortisation	0.228	-	**0.228**
Capital Grants and Contributions Applied	(10.275)	(0.955)	**(11.230)**
CFCR	-	(2.850)	**(2.850)**
Net (Loss)/Gain on Disposal of Assets	(0.616)	0.979	**0.363**
Pension Adjustment	16.594	2.161	**18.755**
Repayment of Debt	(11.148)	(3.426)	**(14.574)**
Other Adjustments	0.885	(0.048)	**0.837**
Transfers to Capital Fund	(0.732)	-	**(0.732)**
Transfers from Other Statutory Reserves	0.047	-	**0.047**
Interest on Revenue Balances	(0.035)	-	**(0.035)**
Total adjustments excluded from EAC Performs Outturn	**28.593**	**14.509**	**43.102**
(Surplus)/ Deficit on the Provision of Services (CIES)	**9.002**	**9.870**	**18.872**

General Fund Revenue Expenditure

The MiRS on page 33 shows an increase of £19.591m within the year and actual income and expenditure is shown below. During the year the £0.047m was utilised from the Renewal and Repairs Fund and £0.732m transferred to the Capital Fund.



*The CIES on page 35 shows the accounting cost of providing services and reflects generally accepted accounting practices, rather than the amount to be funded from taxation or rents. This is the main reason for the difference in Council Tax income from the figure above.

Covid-19 Funding

During the year we received additional funding from the Scottish Government to help offset the impact of Covid-19 on our communities, local businesses and individuals most in need. These grants can be split into two main pots. Firstly, we received funding and made payments on behalf of the Scottish Government to our local businesses who have been required to close or operate under restricted conditions and hardship payments to families in receipt of free schools meals. The eligibility criteria for these payments was determined by the Scottish Government and issued to councils, setting out the amounts and who could receive the monies paid out. Because we did not control these grants or have discretion over which businesses received the funding, we have treated them as agency payments (Note 3) and have excluded the income and expenditure from these Accounts in line with the Guidance issued by LASAAC (Local Authority Scotland Accounts Advisory Committee).

The second element of funding we received throughout 2020/21 related to grants to fund some of the pressures directly experienced by the Council during the pandemic. These included service specific funding for Education recovery, logistics and remote learning, free school meals including for holiday periods, payments to individuals and families experiencing financial hardship and discretionary grants to support recovery. These were paid as either a direct cash payment to the Council or as part of our overall government grant. These have been treated as principal payments in line with the LASAAC Guidance. The majority of the increase in balances of £19.591m shown above and in the MiRS relates to the elements unspent at the year end due to timing and will be retained as earmarked balances for utilisation in 2021/22 and beyond:

General Fund Earmarked Balances		Covid-19 Related £m	Other £m	2020/21 Total £m
Economy & Skills		3.522	3.937	7.459
Safer Communities		0.827	0.950	1.777
Governance		-	0.282	0.282
Central Services & Projects		13.130	1.977	15.107
Council-wide Investment:	Young People Jobs & Training	-	1.500	1.500
	Levelling Up Fund	-	0.700	0.700
	Workforce Planning Fund	-	0.036	0.036
Total Earmarked Balance in 2020/21		**17.479**	**9.382**	**26.861**

At 31 March 2021 £26.861m was earmarked by services for Covid-19 recovery and for specific initiatives and more detail is available in our East Ayrshire Performs report presented to Cabinet on 16 June 2021.

Telling the Story

The Comprehensive Income and Expenditure Statement (CIES) sets out our funding and spending in line with accounting requirements which is different to the way we report financial performance internally. The Expenditure and Funding Analysis (EFA) links our budget management reports and the figures in the CIES. The table below provides a link between our East Ayrshire Performs year end management report to the first column of the EFA on page 31 and to the CIES on page 35.

	East Ayrshire Performs			Building the EFA					EFA Column 1
2020/21	Annual Budget	East Ayrshire Performs Outturn	Variance (favourable) / adverse	East Ayrshire Performs Outturn	Movements	Movements - amounts not included within Net Cost of Services	Net Expenditure chargeable to the General Fund & HRA Balances	**EFA Segment**	Net Expenditure chargeable to the General Fund & HRA Balances
	£m	£m	£m	£m	£m	£m	£m		£m
Education	117.832	113.919	(3.913)	113.919	(13.956)	-	99.963	Education	99.963
Finance and ICT	9.060	8.178	(0.882)	8.178	0.156	-	8.334	Finance and ICT	8.334
Planning and Economic Development	5.143	4.680	(0.463)	4.680	0.013	-	4.693	Planning and Economic Development	4.693
Central Mgt Support Economy and Skills	0.539	0.540	0.001	0.540	-	-	0.540	Economy and Skills Other Segments	0.540
Economy and Skills COVID-19	3.700	1.498	(2.202)	1.498	(1.498)	-	-		
Housing and Communities	16.380	15.595	(0.785)	15.595	1.561	-	17.156	Housing and Communities	17.156
Ayrshire Roads Alliance	7.567	7.287	(0.280)	7.287	0.015	-	7.302	Ayrshire Roads Alliance	7.302
Facilities and Property Management	26.893	26.735	(0.158)	26.735	0.150	-	26.885	Facilities and Property Management	26.885
Human Resources	1.984	1.833	(0.151)	1.833	0.084	-	1.917	Human Resources	1.917
Transport Services	4.754	5.026	0.272	5.026	0.152	-	5.178	Transport (incl SPT)	7.363
SPT	2.249	2.185	(0.064)	2.185	-	-	2.185		
Arms Length Organisations	4.846	4.848	0.002	4.848	-	-	4.848	Arms Length Organisations	4.848
Central Mgt Support Safer Communities	0.240	0.268	0.028	0.268	0.147	-	0.415		
Health and Safety	0.327	0.326	(0.001)	0.326	0.007	-	0.333		2.719
Emergency Planning	0.064	0.057	(0.007)	0.057	-	-	0.057	Safer Communities Other Segments	
Transformation (inc. Policy Planning and Performance	1.940	1.833	(0.107)	1.833	0.081	-	1.914		
Safer Communities COVID-19	3.024	2.197	(0.827)	2.197	(2.197)	-	-		
Children Families and CJS	20.608	19.713	(0.895)	19.713	(2.717)	-	16.996		
Outwith Placements	4.592	4.747	0.155	4.747	-	-	4.747		
Community Care	56.943	55.135	(1.808)	55.135	-	-	55.135		
Service Strategy	2.155	2.123	(0.032)	2.123	-	-	2.123		
Lead Partnership Services	0.695	0.679	(0.016)	0.679	-	-	0.679	Social Work: Provision of Services	79.108
Public Protection	0.208	0.157	(0.051)	0.157	-	-	0.157		
Premises Costs	0.517	0.517	-	0.517	-	-	0.517		
Wellbeing COVID-19	3.110	-	(3.110)	-	-	-	-		
IHSC Debtor / Creditor to IJB	1.793	7.550	5.757	7.550	-	-	7.550		
Social Care Allocation from NHS	-	-	-	-	(8.796)	-	(8.796)		
Governance	3.704	3.422	(0.282)	3.422	-	-	3.422	Governance	3.422
Chief Executive Office (incl Internal Audit)	0.652	0.626	(0.026)	0.626	-	-	0.626	Chief Executive Office (incl Internal Audit)	0.626
Other Non Service Related Expenditure	20.887	4.642	(16.245)	4.642	-	-	4.642		
Insurance	2.519	2.170	(0.349)	2.170	-	-	2.170		
Financing Costs	18.607	17.874	(0.733)	17.874	-	(17.874)	-		
HB/ CT Benefit Subsidy	11.885	11.885	-	11.885	-	(10.093)	1.792	Central Services	7.782
Council Tax	(63.011)	(63.011)	-	(63.011)	-	62.670	(0.341)		
Government Funding	(286.565)	(286.565)	-	(286.565)	26.798	258.554	(1.213)		
Use of Balances	(6.940)	0.732	7.672	0.732	-	-	0.732		
Reserve Transfers (net position)	(0.048)	(0.048)	-	(0.048)	-	0.048	-		
Projects	1.147	1.056	(0.091)	1.056	-	-	1.056	Projects	1.056
Housing Revenue Account	-	(4.630)	(4.630)	(4.630)	-	-	(4.630)	Housing Revenue Account	(4.630)
Net Cost of Services (EFA Column 1)	**0.000**	**(24.230)**	**(24.230)**	**(24.230)**	**-**	**293.305**	**269.075**		**269.075**

Note 1 The £8.796m shown in the column headed "Movements" represents the Council's share of funding from Scottish Government that was first allocated to NHS Ayrshire and Arran prior to being transferred to the Council. The £15.285m and the £2.717m in Education and Children, Families and Criminal Justice Service reflect the Specific Grants for Pupil Equity Funding, Gaelic and Criminal Justice. Other movements in this column reflect the impact of Covid-19.

Note 2 The "Movements - amounts not included within Net Cost of Services" mostly relate to taxation and non-specific grant income and are reflected in the EFA and the CIES (below Net Cost of Service) in line with the presentational requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code).

General Fund Balance

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, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements) Fees and Charges and the balance is delineated between uncommitted balances and balances which have been earmarked for specific purposes. The MiRS on page 33 shows an overall increase in the General Fund balance of £19.591m for the year with a closing balance of £55.683m which can be analysed as follows:

2019/20 Total £m	General Fund	Uncommitted Balance £m	Earmarked Balances £m	2020/21 Total £m
(9.279)	*Movement within the year* - Balance used	(0.063)	(7.207)	(7.270)
8.752	- Balance added	-	26.861	26.861
0.000	Reallocation - Balances Review	0.158	(0.158)	-
(0.527)	**Total Increase / (Decrease) Shown in MiRS**	0.095	19.496	**19.591**
36.619	Balance brought forward	9.423	26.669	36.092
36.092	Outturn Position (Total Balance shown in MiRS)	9.518	46.165	**55.683**

When the Council set its budget for 2020/21 it approved, as part of its Reserves and Balances Strategy, a minimum level of uncommitted (unearmarked) reserves of 2% which is kept under review throughout the year with transfers to and from the balance. At 31 March 2021 the General Fund Uncommitted balance was £9.518m, representing 2.7% of net annual budgeted expenditure.

Our Reserves and Balances Strategy also allows services to earmark and carry forward underspends into the next year for use on non-recurring, fixed term projects or to assist in aligning services with resources over a three year period. The earmarked balances are reviewed throughout the year and in line with our Balances Strategy an annual review of balances is reported to Cabinet.

Within the year £0.158m was reallocated from earmarked balances to uncommitted balances, approved by Cabinet on 3 February 2021.

Housing Revenue Account (HRA) Balance

At 31 March 2021 the HRA had a cumulative balance of £18.549m, all of which is earmarked for commitments in future years. Movements on the HRA Reserves are as follows:

2019/20 Balance £m	Housing Revenue Account	2020/21 Balance £m
(0.170)	*Movement within the year* - Balance used	0.000
0.120	- Balance added	4.639
(0.050)	**Total Increase / (Decrease) Shown in MiRS**	**4.639**
13.960	Balance Brought Forward	13.910
13.910	**Outturn Position**	**18.549**

Balance Sheet

The Balance Sheet on page 36 is a snapshot summary of our assets and liabilities at 31 March 2021 and explanatory notes are provided to support the numbers. We ended the year with a net worth of £233.584m with £913.982m of non current assets spread across a range of plant, property, equipment and heritage assets and usable reserves of £97.245m.

Our Capital Programme and Investment

We recognise the importance to our communities of having access to attractive, modern and fit-for purpose facilities and continue to support an ambitious schools investment programme as part of our £363m General Services Capital Investment Programme and £194m investment in our houses through the Housing Revenue Account over the next 10 year period.

Education £18.191m

Housing £12.041m

Roads £10.628m

Wellbeing £0.284m

Economic Regeneration & Development £5.993m

Other Expenditure £5.239m

Total Capital Investment 2020/21 £52.376m

Funded by:

Government Grants £11.230m

Borrowing £37.858m

Revenue £2.850m

Capital Receipts £0.438m

Total £52.376m

During the year our total capital investment on General Fund services was £40.335m spent on developing and creating key assets for communities, including investment in roads, schools and business infrastructure. This was funded by £10.275m from government grants and borrowing of £30.060m.

A further £12.041m was spent on the Housing Capital Programme on building, improving and acquiring assets in 2020/21 including the creation of council houses in our town centres, delivering new homes and local regeneration. This capital investment programme was funded by £2.850m from current revenue, borrowing of £7.798m, the utilisation of capital receipts of £0.438m and government grants of £0.955m.

SCHEME HIGHLIGHTS
The Barony Campus, Cumnock

The Barony Campus in Cumnock in our opinion is Scotland's most innovative, ambitious and inclusive learning facility. Construction was completed on 9 October 2020, with the school opening to secondary pupils on 26 October 2020 and primary, early years and ASN pupils on 18 November 2020. The campus boasts 21st century learning facilities including Scotland's first interactive and immersive video room and a concert class auditorium as well as McPhee Park outdoor sports facilities with grass and synthetic pitches, a 400m running track and outdoor basketball court and 13 indoor courts of various configurations.

The community have access to recreation space including a community café, meeting rooms, theatre space, an enterprise kitchen for catering, recording studio, music practice rooms and project space for textiles/crafts and pottery. The remainder of works to form the bus drop-off and car parking were completed in August 2021. The works to form the grass pitches are still on-going and are anticipated to be available for play in Summer 2022.

Netherthird Primary Early Childhood Centre (ECC)

The opening of the new Netherthird ECC has enabled progression of the next phases towards completion of the Netherthird Campus. Demolition of the former school commenced in December 2020 and was completed in April 2021. The final phase of this project is the proposed erection of a new primary school with the capacity to accommodate 278 pupils, and formation of new external play areas and car parking, linking the ECC and school together. The building, constructed over two levels, will provide 2,200 square metres of state of the art teaching and learning facilities, which include 9 classrooms for 254 pupils and 4 supported learning classrooms for a further 24 pupils. The overall project cost is budgeted at £11.3m and works are targeted for completion in August 2022.

Saint Sophia's Primary, Galston

The Council's Executive Committee on 11 June 2020 agreed to take forward the EnerPHit conversion of St Sophia's Primary School and the project was successful in receiving Scottish Government funding as part of the Learning Estate Investment Programme in December 2020. This £3.6m retrofit and refurbishment project is a highly sustainable approach which applies Passivhaus design principles to existing buildings. This approach has the potential to reduce energy demand and carbon emissions by 75% - 90% and will incorporate a zero direct emission heating system. This will make St Sophia's Primary School the first EnerPHit certified school not just in East Ayrshire, but in Scotland, and Scottish Futures Trust and Zero Waste Scotland are keenly involved in delivery of the project, viewing it as a pathfinder, which promises to deliver significant knowledge development in the re-purposing of existing buildings in the zero carbon age. Construction is programmed to take place from April 2022 and take around 1 year.

Strategic Housing Investment Programme

During 2020/21 we continued our programme of quality new build housing for families within East Ayrshire, with the completion of 56 new homes at the Fraser Walk site in Kilmarnock.

Due to the global pandemic, our partner contractor and their consultant design team and suppliers were on furlough for a period of time and the programme experienced delays.

Towards the end of the 2020/21 work was able to progress with the design development for the next few projects and we aim to commence works on several sites early into 2021/22. These sites being:

- Witch Road, Kilmarnock – a development of 43 older ambulant bungalows
- Quarryknowe, Auchinleck – an assisted living flatted development for 8 residents.
- Mill of Shields Road, Drongan – a development of 14 affordable houses
- Bellevue Gardens, Bonnyton, Kilmarnock a development of 12 affordable houses.

The projects continue to be delivered through the Scottish Procurement Alliance.

The investment for 2020/21 in the Fraser Walk project, supported by Scottish Government's More Homes Scotland initiative and the Affordable Housing Supply Programme was £10.8m.

Dean Castle Restoration Project

The restoration project sits within the context of the wider Dean Castle Country Park, 'Parks for People' project, which is redesigning the park in line with a detailed Conservation Management Plan. The vision is to create a 5 star visitor attraction, helping to maximise the opportunities for visitors to participate in, appreciate and value their local heritage, as well as encouraging tourism into our area.

To achieve the project aims the castle and former laundry buildings are being restored both externally and internally using strict conservation principles with associated learning and apprentice opportunities. The restoration will also allow a more extensive and accessible display of historic artefacts from our Heritage Assets collection and allow for increased visitor numbers.

Dean Castle Restoration Project has an overall budget of over £5.500m, and is jointly funded by EAC, Heritage Lottery Fund and Historic Environment Scotland. The project commenced on site in January 2019 however, following suspension of works in March 2020 due to the Covid-19 pandemic, the main contractor went into liquidation. A new contractor was appointed and works recommenced in January 2021. Works are scheduled to be completed Summer 2022.

The wider 'Parks for People' project commenced in December 2016 and was completed in December 2017 improving facilities in the Visitor Centre, Rural Life Centre, enhancing the green path network together with habitat and landscape environments. This was a multi-funded project with an overall investment of over £5.800m.

Treasury Management and Investment

Treasury Management is the management of the Council's cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. Our annual strategy on Treasury Management was approved by the Council on 4 March 2021.

Our borrowing strategy aims to minimise the revenue cost of debt whilst protecting the Council from revenue pressures in the event of interest rate volatility. The prime objective of our investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out our business. A secondary objective, within these constraints, is to maximise returns.

The Treasury Management Strategy aims to protect the Council from market-related risks by monitoring interest rates, economic indicators, and UK and overseas government finances. Professional advisers are employed who use a range of information sources to inform economic analysis and forecasts. The Strategy also sets out the Council's expectation for interest rates and highlights the uncertainties and risks in the forecast.

We operate a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, ensuring adequate liquidity prior to consideration of investment return. Concurrent to this, longer term cash flow planning to ensure we can meet our capital spending operations is considered throughout the year. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet risk or cost objectives.

Investment activity during the year included gross transactions totalling £6.218billion, with 539 individual transactions with an average value of £11.534m. During the year no new long-term borrowing was taken, as progress of capital investment programmes were impacted by lockdown restrictions. New short term borrowing of £35m at an interest rate of 0.3% was taken as replacement for debt maturing of a similar value but with a higher interest rate of 1.09%. This provided adequate short term liquidity whilst allowing the position in respect of longer term borrowing to be kept under review pending the resumption of capital activities.

RISKS AND UNCERTAINTIES

Our Executive Management Team regularly review the Corporate Risk Register which details the high level strategic risks, their importance and required action measures. There are currently 11 risks on the Register, with 7 of these classed as medium to low risk. The risks classified as high are as follows:

Risk and impact	Mitigation
Pandemic and associated lockdown measures. Direct and indirect health impact, societal impact and economic impact. For some groups, the social, economic and health harms caused by both the virus and associated lockdown measures, will be greater and could have a profound and long lasting impact, exacerbating already existing inequalities in our communities.	We have robust arrangements in place with community planning partners to ensure we are well equipped to respond to emergency situations. We work closely with colleagues locally, regionally and nationally through the Ayrshire Local Resilience Partnership and West of Scotland Regional Resilience Partnership. Emergency response arrangements are overseen by our Council Management Team (CMT), with regular updating and communications provided by the Chief Executive and Communications Team. As demonstrated during Covid-19 we rapidly transformed the way we worked to maintain essential services and to ensure support for our communities, building on a well-established network of contacts, skills, knowledge and expertise to help protect and support residents. We continue to monitor the impact, maintaining close oversight of virus spread and impact of lockdown measures. We have adapted our services with details set out in the Executive Committee Reports of 14 May and 11 June 2020 and our approach to recovery and renewal reported to Council on 25 June and 29 October 2020 and to Cabinet on 3 March 2021.
Economic Climate and Levels of Grant Funding. Significant challenges have arisen from the pandemic which has had an unprecedented impact on UK Government borrowing levels and which will potentially lead to reduced funding allocations going forward.	Our outturn EAC Performs report shows we spent £12.2m responding to Covid-19 with the majority of this funded by Scottish Government grants. Additional non-recurring funding has been provided to meet Covid-19 costs in 2021/22 and specific measures to utilise this funding will be provided during 2021/22. Council on 4 March 2021 approved the 2021/22 revenue budget which was balanced without the requirement to use reserves and we will continue to plan for future budget allocations based on sound financial modelling and planning. Work will shortly commence on the preparations for the 2022/23 revenue budget which will be informed by UK and Scottish fiscal events as well as the Council's Medium Term Finance Plan and indicative budget allocations for 2022/23 will be discussed with CMT in the coming weeks in order that service planning can commence on balancing the 2022/23 budget.
UK withdrawal from the European Union. The potential loss of funding and impact on economic conditions including growth, borrowing costs, and the potential for further changes to local government funding all present significant financial risk to the Council and the local economy, including the number of public and private sector jobs. There are also potential risks in respect of the impact on supply of goods, services, and supply chains that are reliant on EU countries. We recognise that any impact is likely to be exacerbated by the concurrent impact of Covid-19 and other civic emergencies, with consequent impacts on organisational capacity.	Whilst the EU Exit Withdrawal Agreement has been reached, issues remain including the impact on EU funded projects and how specifically, the UK Prosperity Fund will take over the new and existing projects after December 2022. The impact has not yet materialised but the matter remains under constant and detailed scrutiny. Interim funding arrangements through the Levelling Up Fund, Community Renewal Fund and Community Ownership Fund have been introduced and we are working with partners and other key stakeholders to develop bids for these funds.

Risk and impact	Mitigation
Environmental Climate. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 received Royal Assent on 31 October 2019 and sets targets for reducing greenhouse gases and emissions. Climate change is having an impact on global weather patterns with unseasonal extreme events occurring regularly.	Our approach is monitored through the annual climate change declaration. We have a programme to convert our fleet to fully electric vehicles, reduce energy usage in our buildings, minimise waste, increase recycling and support jobs in the renewable energy sector and enhance our local environment and biodiversity. A Climate Change Action Plan is being developed through a Member, Officer and Young People's Working Group to set our ambition and focus. We have robust resilience arrangements in place to deal with adverse weather events however national modelling shows that the frequency and scale of these events will increase over time.

Supplementary Information

Group Accounts

We have a material interest in a number of other organisations and are required to produce Group Accounts. These are presented alongside the single entry on the main statements with additional information in Note 32.

Common Good, Trusts and Bequests

We administer four Common Good Funds for the former burghs of Cumnock, Darvel, Kilmarnock and Newmilns. Details of these can be found on page 82. We also administer three Trust Funds shown on page 83 which are registered charities. These are not funds available to the Council and are not included in our Accounts. Separate Annual Accounts for these are available on our website.

These Annual Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 amend The Local Authority Accounts (Scotland) Regulations 2014. The 2021 regulations confirm the change to the audit completion deadline for local government 2020/21 Annual Accounts from 30 September to 31 October 2021. The publication date for the Annual Accounts is also amended from 31 October 2021 to 15 November 2021. Both of these changes are for the 2020/21 financial reporting year only. However for our Annual Accounts process we decided to continue to work towards the previously planned completion timescale of 30 September 2021.

More Information

Our website holds more information on our strategies, plans, policies and our performance and spending.

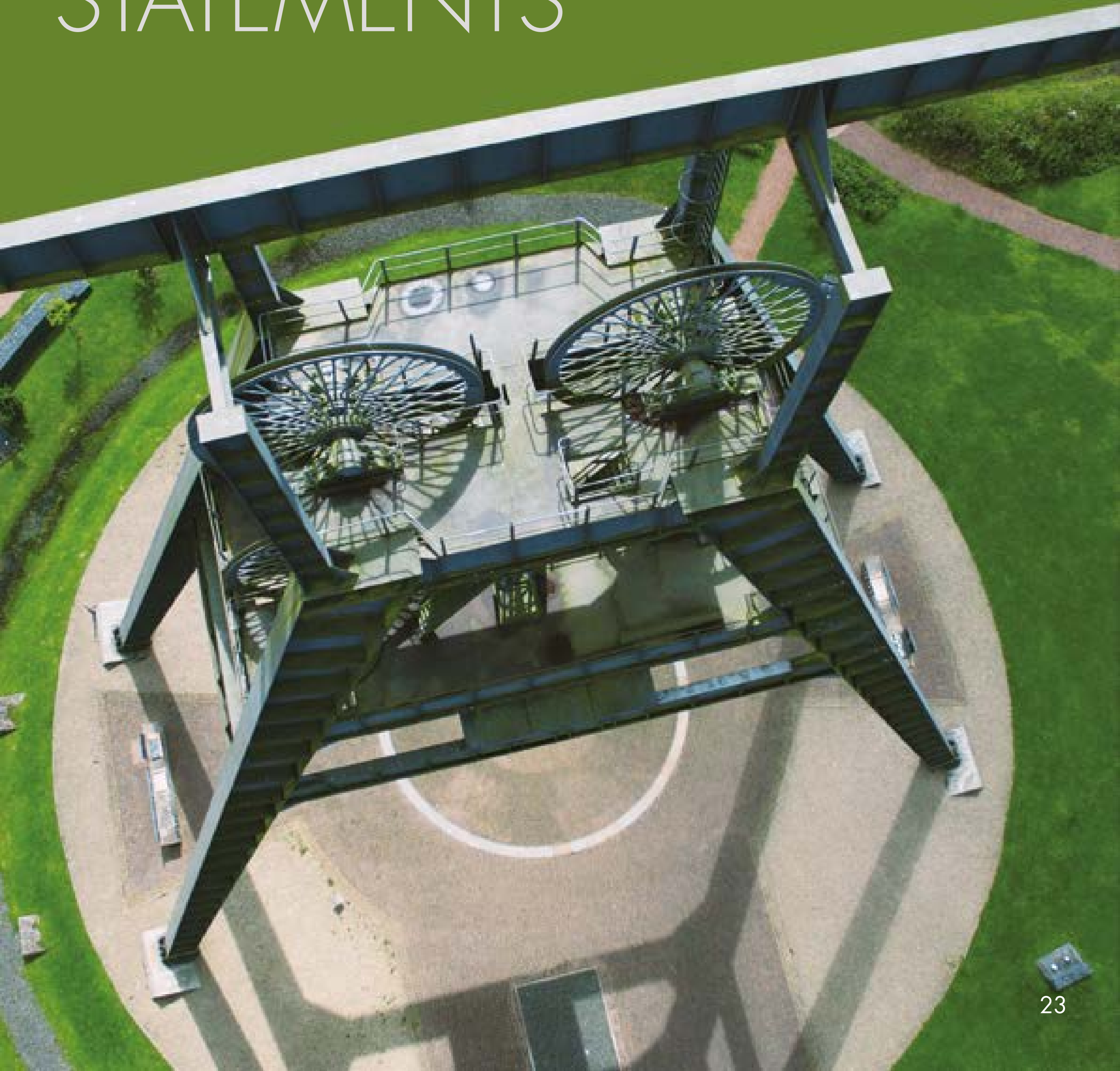
www.east-ayrshire.gov.uk

Councillor Douglas Reid
Leader of the Council
30 September 2021

Eddie Fraser
Chief Executive
30 September 2021

Joseph McLachlan CPFA
Chief Financial Officer and Head of Finance & ICT
30 September 2021

EXPLANATORY AND ASSURANCE STATEMENTS



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 Chief Financial Officer and Head of Finance & ICT, following the retirement of the Depute Chief Executive & Chief Financial Officer in January 2021;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved by the Governance & Scrutiny Committee at its meeting on 30 September 2021.

Councillor Douglas Reid

Leader of the Council

30 September 2021

The Chief Financial Officer's Responsibilities

The Chief Financial Officer and Head of Finance & ICT 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 Chief Financial Officer and Head of Finance & ICT 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 Chief Financial Officer and Head of Finance & ICT 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 2021.

Joseph McLachlan CPFA

Chief Financial Officer and Head of Finance & ICT

30 September 2021

ANNUAL GOVERNANCE STATEMENT

Introduction

This Annual Governance Statement has been prepared in the context of our response, recovery and renewal activity arising from the Covid-19 pandemic which has dominated the last year. This has been directed and informed by the Scottish Government's Strategic Framework, which sets out how decisions continue to be taken to control the pandemic, while restoring a degree of normality to everyday life.

Since restrictions on movement were introduced by the UK and Scottish Governments in March 2020, we have been working tirelessly to maintain essential services for our communities, with specific emphasis on the most vulnerable families and individuals.

This Statement has also been informed by the CIPFA Guidance Bulletin 06 – 'Application of the Good Governance Framework 2020/21' which reflects the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM 2019) during 2020/21. The first full year of compliance will be 2021/22 and the FM Code provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively. We undertook an initial assessment of compliance with the FM Code and are satisfied that our governance and processes satisfy the principles of good financial management as outlined in the Code.

The pandemic has required us to make specific changes to our governance arrangements and, where appropriate, these are summarised in the sections to follow.

Scope of Responsibility

East Ayrshire Council is responsible for, and fully committed to, ensuring that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. We also have 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 the governance framework for 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 adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) 2016 Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish Authorities. The update on the 2020/21 Corporate Governance Improvement Action Plan and the 2021/22 Action Plan can be downloaded **here**. Progress against our Improvement Action Plan evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA/SOLACE.

We have in place a system of internal controls designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve strategic priorities and outcomes but can provide reasonable if not absolute assurance. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our 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 our 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 we have adopted as our 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 2021 and will continue to be reviewed.

The Governance Framework

The following provides a summary of the main features of our governance arrangements.

The East Ayrshire Community Plan 2015 - 2030 came into effect on 1 April 2015 and is the sovereign and overarching planning document for the East Ayrshire area. It provides the strategic policy framework for the delivery of public services by all of the Partners and is also the Council's Corporate Plan covering the 15 years from 2015 to 2030.

The Community Plan is implemented through three thematic Delivery Plans, namely Economy and Skills, Safer Communities and Wellbeing, along with the day to day work carried out by services across the Council.

A review of Community Planning commenced in 2020/21 with the outcomes of the review presented to Council in June 2021, including new three year delivery plans and shared strategic priorities.

The Community Plan is underpinned by the Local Outcomes Improvement Plan which provides a robust performance management framework and demonstrates a sound understanding of place and local circumstances. This has informed the development of our local priorities which have been identified in consultation with our communities and key partners and stakeholders committed to resourcing jointly the delivery of improved outcomes to realise our shared vision for East Ayrshire. The Community Plan and associated documentation can be accessed **here**.

The Community Planning Partnership Board (CPP) is supported by robust governance arrangements and a sixth formal joint engagement event between the Council and CPP Board was held on 17 September 2020 to consider the Local Outcome Improvement Plan, Annual Performance Report, and the Integrated Health and Social Care Partnership Annual Report and the Wellbeing Delivery Plan Annual Performance Report 2019/20.

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

On 25 June 2020, Council considered a report which set out a programme for recovery and renewal, within the context of the Scottish Government Framework for Decision Making and Route Map. The report placed the three cross-cutting priorities of Children and Young People, Economy and the Environment and Wellbeing at the heart of our renewal and recovery planning and set out our priorities within a Dynamic Renewal and Recovery Action Plan. This Action Plan builds on our Transformation Strategy and the innovations that were delivered at pace during our emergency response.

Two further reports outlining the Vibrant Voices engagement and the progress made against the Dynamic Renewal and Recovery Action Plan were considered and agreed by Council on 29 October 2020. These described the work that had been undertaken across services and with our partners and communities to mitigate the impact of Covid-19, and updated Elected Members on the direction that Heads of Service are taking in their Service Recovery and Renewal Plans.

Policy and decision making is conducted through our decision-making structure, which includes the Cabinet and 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 **here**. 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 & Police (2013) report by providing an independent and high-level resource to support good governance and strong public financial management within the Council. This includes the satisfaction that our assurance statements are an accurate reflection of the current position, the internal audit function is effective and supported by committee and that risk management arrangements are considered effective.

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

In response to the restrictions on movement resulting from the Covid-19 Pandemic, an Executive Committee was established in April 2020 to replace the existing decision-making structures up to the end of June 2020 to ensure continued management of Council business. The Council's established decision-making structures were reinstated in June 2020 with meetings of Cabinet and Governance and Scrutiny Committee recommencing in September 2020.

We have continued to enhance and strengthen our internal control environment through updating and introducing new policies and procedures. The Scheme of Delegation sets out the remit of Elected Member Portfolio Holders and the extent of delegations made to Committees and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. The Council also has Financial Regulations and Standing Orders relating to contracts in place and all of these procedural documents are regularly reviewed.

Our system of internal financial control is based on a framework of regular management information, financial regulations, accounting policy bulletins, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- Comprehensive budgeting systems;
- Measurement of financial and other performance against targets;
- Regular reviews of periodic and annual financial reports, which indicate financial performance against the forecasts and targets;
- Clearly defined capital expenditure guidelines;
- Performance relating to the Leisure Trust, Ayrshire Roads Alliance and IJB/Health and Social Care Partnership; and
- Formal project management disciplines, as appropriate.

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

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

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

We have a Whistleblowing Policy and Codes of Conduct for employees and Elected Members, and high standards of behaviour are supported by employee contracts of employment and annual FACE reviews, which identify individual training and development requirements. An Elected Member Learning and Development Strategy is well established and Job Outlines for Elected Members, including Members of the Governance and Scrutiny and Police and Fire and Rescue Committee are in place. A training needs analysis is undertaken on an annual basis and individual Development Plans are subsequently agreed for all Elected Members.

Service Improvement Plans for all Council Services are in place and annual progress updates relating to the Action Plans are presented to Cabinet. New three-year Service Improvement Plans will be developed in 2021/22 to reflect the updated Community Plan, Local Outcome Improvement Plan, Transformation Strategy and Covid-19 Recovery and Renewal Plans.

The response to the Covid-19 Pandemic and the UK withdrawal from the EU has been driven by the Council's Business Continuity arrangements that were strengthened in the course of 2020/21. The Civil Contingencies Act (2004) places a number of duties on the Council for the preparation and maintenance of plans to ensure the continuity of our services during emergency situations. The review of our Business Continuity Plans that was undertaken and completed in 2020/21, has strengthened our Resilience Framework and ensures that we continue to provide the required level of co-ordination and consistency.

Our organisational learning from the pandemic has been captured in a systematic way. From the outset, the Council Management Team has maintained a 'Lessons Learned Log', which lists each issue identified, the action subsequently taken and the future considerations and lessons to be addressed to further strengthen our resilience capacity.

We monitor performance using an Electronic Performance Management System (EPMS), which is populated with a wide range of performance indicators agreed following a comprehensive review of performance indicators across all Council services. These indicators inform chief officers Performance Scorecards all of which are updated with real time period performance information and reported and monitored using EPMS.

We have a strong and embedded process of self-assessment. Our comprehensive approach to self-evaluation is evidence based and comprises the Council-wide Strategic Self-Assessment of performance undertaken by the Council Management Team supported by an external critical friend, the aim of which is to ensure that we remain well placed to respond to and meet the requirements of Best Value. The next Strategic Self-Assessment is scheduled to be undertaken in 2021/22 having been delayed due to the pandemic.

Statutory Roles

Our 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; Departmental Service Descriptions; Officer delegated responsibility; and the role of Elected Member portfolio holders.

Our Scheme of Delegation designates the Chief Executive as the Council's Head of Paid Service in terms of the Local Government and Housing Act 1989. This requires the post holder to carry out the specified duties associated with this statutory role, including responsibility, where it is appropriate, for setting out proposals and reporting to Council, in relation to the undernoted matters:

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

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

The Chief Financial Officer and Head of Finance & ICT (following the retirement of the Depute Chief Executive and Chief Financial Officer in January 2021) 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.

The Council's Scheme of Delegation designates the Head of Children's Health, Care and Justice Services as Chief Social Work Officer in terms of the Social Work (Scotland) Act 1968 and requires the post holder to carry out the specified duties associated with this statutory role by ensuring the provision of effective, professional advice to Elected Members and officers in relation to the provision of social work services. As part of the Council response to the legislative changes brought about by the Public Bodies (Joint Working) (Scotland) Act 2014, the management of Social Work Services were transferred to the Integration Joint Board from 1 April 2015.

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

Review of Effectiveness

During 2020/21, the 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, our 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, 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 Chief Officers are required to make an annual statement confirming this is the case.

The Council was the subject of detailed audit work under Audit Scotland's framework for auditing best value over December 2017 and January 2018. This audit activity, which was carried out jointly between Audit Scotland and our external auditor, Deloitte LLP, culminated in the production and publication of the Council's Best Value Assurance Report (BVAR) in May 2018. The findings of this report are followed up by external audit as part of their annual audit work.

Internal Audit is directly responsible to the Chief Executive for the independent appraisal of the Council's systems of internal control, governance and risk management. During 2020/21 Internal Audit operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced on 1 April 2013. External Audit subject the work of Internal Audit to annual review. Deloitte LLP, our current external auditor reflect that review in their annual report with no issues arising to date noting in their most recent report to the Governance and Scrutiny Committee in September 2020 "an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit. From our review of the internal audit reports issued during 2019/20, we are satisfied that the conclusions have been considered as part of the disclosures in the Annual Governance Statement".

PSIAS standard 1300 Quality Assurance and Improvement Programme (QAIP) requires the Chief Auditor to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The details of the PSIAS requirements and how East Ayrshire Council complies with these requirements is set out in paragraphs 78-83 of the Internal Audit Charter available on the Council's website.

Internal Audit's overall opinion, based on the work carried out, and in line with PSIAS requirements, is that reasonable assurance can continue to be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2021. The objectives of internal control have been substantiality met. This is consistent with our opinion in previous years and is a notable achievement during 2020/21.

The Chief Auditor also notes the continuing positive engagement by services and senior management in working collaboratively to agree and implement actions with a culture of scrutiny and continuous improvement embedded in East Ayrshire Council.

In 2019/20 the Chief Auditor stated that the opinion was based on the work carried out in the context of the national and local arrangements put in place for Covid-19. These arrangements created challenges for the control environment where tried and tested controls may no longer be effective or appropriate but that, on the basis of the year-on-year work that is undertaken by Internal Audit, East Ayrshire Council was well placed to successfully overcome these challenges. In the 2020/21 opinion the Chief Auditor confirmed that evidence collected in 2020/21 indicated that the Council was indeed well placed to overcome those challenges with outcomes comparing very well to previous years.

Improvements Proposed

The system of governance (including the system of internal control) provides reasonable assurance that assets are safeguarded; that transactions are authorised and properly recorded; that material errors or irregularities are either prevented or would be detected within a timely period; and that significant risks impacting on the achievement of our strategic priorities and outcomes have been mitigated. The review carried out in 2020/21 highlighted those areas that could be further strengthened and these are contained within the Corporate Governance Improvement Action Plan for 2021/22. During the audit a matter was raised with regard to the value and quantity of heritage assets in the collection. The number of items was initially based on an estimate and while records were held for a large amount of the items, a record was not held for every item. The Council acknowledges that maintaining a full list demonstrates best practice and further enhances effective governance and risk management arrangements. Accordingly work was undertaken during the audit to obtain a full listing of the collection and further work to review the collection, including the disposal policy and arrangements, will be undertaken during 2021/22.

Conclusion

We consider the governance and internal control environment operating during 2020/21, despite the most challenging of circumstances arising from the pandemic, 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 2021/22. Progress on implementing the Action Plan will be reported to the Governance and Scrutiny Committee in 2022 in accordance with our established arrangements.

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

Councillor Douglas Reid
Leader of the Council
30 September 2021

Eddie Fraser
Chief Executive
30 September 2021

PRINCIPAL FINANCIAL STATEMENTS FOR THE COUNCIL AND ITS GROUP

EXPENDITURE AND FUNDING ANALYSIS

The EFA shows how our funding from government grants, rents, council tax and business rates has been allocated for decision making purposes, and used in providing services, alongside the resources we consumed in accordance with and applying generally accepted accounting practices. The CIES on page 35 presents more fully the income and expenditure under generally accepted accounting practices.

2019/20				2020/21		
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
			Operating		see EFA Note	
99.087	63.576	162.663	Education	99.963	16.636	116.599
7.605	2.442	10.047	Finance and ICT	8.334	2.274	10.608
4.924	1.703	6.627	Planning and Economic Development	4.693	5.460	10.153
0.492	0.035	0.527	Economy and Skills Other Segments	0.540	0.057	0.597
16.086	2.704	18.790	Housing and Communities	17.156	1.863	19.019
6.339	8.867	15.206	Ayrshire Roads Alliance	7.302	8.964	16.266
25.700	(4.524)	21.176	Facilities and Property Management	26.885	(7.685)	19.200
1.899	0.360	2.259	Human Resources	1.917	0.308	2.225
7.247	0.037	7.284	Transport (incl SPT)	7.363	0.286	7.649
4.933	1.761	6.694	Arms Length Organisations	4.848	5.004	9.852
2.793	0.471	3.264	Safer Communities Other Segments	2.719	0.126	2.845
(4.181)	7.923	3.742	Social Work: Provision of Services	(2.935)	5.708	2.773
80.774	-	80.774	Contribution to the IJB	82.043	-	82.043
2.981	0.696	3.677	Governance	3.422	0.555	3.977
0.644	0.097	0.741	Chief Executive Office (incl Internal Audit)	0.626	0.083	0.709
5.874	(6.580)	(0.706)	Central Services	7.782	(1.095)	6.687
0.043	-	0.043	Projects	1.056	-	1.056
0.050	20.567	20.617	Housing Revenue Account	(4.639)	8.801	4.162
263.290	100.135	363.425	**Net Cost Of Services**	269.075	47.345	316.420
(262.655)	(11.294)	(273.949)	Other Income and Expenditure	(294.025)	(3.523)	(297.548)
0.635	**88.841**	**89.476**	**Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or (Deficit) in the CIES**	**(24.950)**	**43.822**	**18.872**

		General Fund	HRA	Total
50.579	Opening Combined General Fund and HRA Balances	36.092	13.910	50.002
(0.635)	Surplus or (Deficit) on the General Fund and HRA Balances for the Year	20.311	4.639	24.950
0.058	Transfers (to) / from Other Reserves	(0.720)	-	(0.720)
50.002	**Closing Combined General Fund and HRA Balances**	**55.683**	**18.549**	**74.232**

NOTE TO THE EFA

2019/20 EAC					2020/21 EAC			
Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis	**Adjustments between Funding and Accounting Basis**	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis
£m	£m	£m	£m		£m	£m	£m	£m
57.939	5.067	0.570	63.576	Education	12.272	3.583	0.781	16.636
0.961	1.472	0.009	2.442	Finance and ICT	1.110	1.152	0.012	2.274
0.752	0.925	0.026	1.703	Planning and Economic Development	4.803	0.620	0.037	5.460
(0.033)	0.068	-	0.035	Economy and Skills Other Segments	-	0.057	-	0.057
0.725	1.943	0.036	2.704	Housing and Communities	0.527	1.286	0.050	1.863
7.518	1.317	0.032	8.867	Ayrshire Roads Alliance	8.057	0.860	0.047	8.964
(6.602)	2.077	0.001	(4.524)	Facilities and Property Management	(9.152)	1.465	0.002	(7.685)
0.001	0.359	-	0.360	Human Resources	-	0.308	-	0.308
(0.127)	0.164	-	0.037	Transport (incl SPT)	(0.123)	0.409	-	0.286
1.761	-	-	1.761	Arms Length Organisations	5.004	-	-	5.004
-	0.462	0.009	0.471	Safer Communities Other Segments	-	0.109	0.017	0.126
0.630	7.123	0.170	7.923	Social Work: Provision of Services	0.528	4.923	0.257	5.708
-	-	-	-	Contribution to the IJB	-	-		-
(0.074)	0.765	0.005	0.696	Governance	(0.080)	0.628	0.007	0.555
-	0.097	-	0.097	Chief Executive Office (incl Internal Audit)	-	0.083	-	0.083
-	(6.785)	0.205	(6.580)	Central Services	-	(1.858)	0.763	(1.095)
-	-	-	-	Projects	-	-		-
18.731	1.986	(0.150)	20.567	Housing Revenue Account	7.649	1.830	(0.678)	8.801
82.182	17.040	0.913	100.135	**Net Cost Of Services**	30.595	15.455	1.295	47.345
(15.997)	5.165	(0.462)	(11.294)	Other Income and Expenditure	(6.365)	3.300	(0.458)	(3.523)
66.185	**22.205**	**0.451**	**88.841**	**Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES**	**24.230**	**18.755**	**0.837**	**43.822**

MOVEMENT IN RESERVES STATEMENT

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

2020/21	Note	Usable Reserves					Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Grants Unapplied	Capital Fund		Unrealised Gains/ Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 April 2020		36.092	13.910	3.117	3.501	14.862	71.482	261.530	(43.237)	289.775	9.521	22.829	322.125
Surplus/ (Deficit) on the Provision of Services	CIES	(9.002)	(9.870)	-	-	-	(18.872)	-	-	(18.872)	5.364	-	(13.508)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	(2.234)	(35.085)	(37.319)	-	(0.381)	(37.700)
Total Comprehensive Income and Expenditure		(9.002)	(9.870)	-	-	-	(18.872)	(2.234)	(35.085)	(58.191)	5.364	(0.381)	(51.208)
Adjustments between Accounting Basis and Funding Basis Under Statute													
Current and Past Service Pension Costs in Cost of Services	8	35.390	3.939	-	-	-	39.329	-	(39.329)	-	-	-	-
Net Interest on Net Defined Pension Liability	8	2.970	0.330	-	-	-	3.300	-	(3.300)	-	-	-	-
Employers Contributions to Pensions Fund	8	(21.766)	(2.108)	-	-	-	(23.874)	-	23.874	-	-	-	-
Adjustments Relating to Pensions		16.594	2.161	-	-	-	18.755	-	(18.755)	-	-	-	-
Depreciation of Non Current Assets	12	23.334	11.865	-	-	-	35.199	(7.912)	(27.287)	-	0.315	(0.315)	-
Impairment of Non Current Assets	11	10.311	6.783	-	-	-	17.094	-	(17.094)	-	-	-	-
Amortisation of Intangible Assets	14	0.228	-	-	-	-	0.228	-	(0.228)	-	-	-	-
Capital Grants and Contributions Applied	5	(10.275)	(0.955)	-	-	-	(11.230)	-	11.230	-	-	-	-
Capital Grants and Contributions Unapplied		-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Debt	10	(11.148)	(3.426)	-	-	-	(14.574)	-	14.574	-	-	-	-
Capital Expenditure Funded in Year	10	-	(2.850)	-	-	-	(2.850)	-	2.850	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(0.438)	(0.438)	-	0.438	-	-	-	-
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.616)	0.979	-	-	1.251	1.614	-	(1.614)	-	-	-	-
Adjustments Relating to Capital		11.834	12.386	-	-	0.813	25.043	(7.912)	(17.131)	-	0.315	(0.315)	-
Differences relating to Officer Remuneration required by statute		1.210	0.085	-	-	-	1.295	-	(1.295)	-	-	-	-
Differences relating to Financial Instruments required by statute	22	(0.325)	(0.133)	-	-	-	(0.458)	-	0.458	-	-	-	-
Adjustments for Other Items		0.885	(0.048)	-	-	-	0.837	-	(0.837)	-	-	-	-
Net Increase/ (Decrease) before Transfers		20.311	4.639	-	-	0.813	25.763	(10.146)	(71.808)	(56.191)	5.679	(0.696)	(51.208)
Transfers to/ from Capital Fund		(0.732)	-	-	-	0.732	-	-	-	-	-	-	-
Transfers to/ from Other Statutory Reserves		0.047	-	(0.047)	-	-	-	-	-	-	(4.949)	4.949	-
Interest on Revenue Balances		(0.035)	-	0.006	-	0.029	-	-	-	-	-	-	-
Increase/ (Decrease) in 2020/21		19.591	4.639	(0.041)	-	1.574	25.763	(10.146)	(71.808)	(56.191)	0.730	4.253	(51.208)
Balance as at 31 March 2021		55.683	18.549	3.076	3.501	16.436	97.245	251.384	(115.045)	233.584	10.251	27.082	270.917

2019/20	Note	Usable Reserves					Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Grants Unapplied	Capital Fund		Unrealised Gains/ Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 April 2019		36.619	13.960	3.386	3.513	14.201	71.679	288.276	(59.417)	300.538	6.374	20.735	327.647
Surplus/ (Deficit) on the Provision of Services	CIES	(64.967)	(24.509)	-	-	-	(89.476)	-	-	(89.476)	3.789	-	(85.687)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	(18.577)	97.290	78.713	-	1.452	80.165
Total Comprehensive Income and Expenditure		(64.967)	(24.509)	-	-	-	(89.476)	(18.577)	97.290	(10.763)	3.789	1.452	(5.522)
Adjustments between Accounting Basis and Funding Basis Under Statute													
Current and Past Service Pension Costs in Cost of Services	8	35.322	3.935	-	-	-	39.257	-	(39.257)	-	-	-	-
Net Interest on Net Defined Pension Liability	8	4.647	0.518	-	-	-	5.165	-	(5.165)	-	-	-	-
Employers Contributions to Pensions Fund	8	(20.269)	(1.948)	-	-	-	(22.217)	-	22.217	-	-	-	-
Adjustments Relating to Pensions		19.700	2.505	-	-	-	22.205	-	(22.205)	-	-	-	-
Depreciation of Non Current Assets	12	22.977	11.002	-	-	-	33.979	(8.169)	(25.810)	-	0.273	(0.273)	-
Impairment of Non Current Assets	11	51.404	23.736	-	-	-	75.140	-	(75.140)	-	-	-	-
Amortisation of Intangible Assets	14	0.096	-	-	-	-	0.096	-	(0.096)	-	-	-	-
Capital Grants and Contributions Applied	5	(19.383)	(4.304)	-	(0.012)	-	(23.699)	-	23.699	-	-	-	-
Capital Grants and Contributions Unapplied		-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Debt	10	(10.699)	(3.007)	-	-	-	(13.706)	-	13.706	-	-	-	-
Capital Expenditure Funded in Year	10	(0.077)	(8.463)	-	-	-	(8.540)	-	8.540	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(0.283)	(0.283)	-	0.283	-	-	-	-
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.163)	3.066	-	-	0.733	3.636	-	(3.636)	-	-	-	-
Adjustments Relating to Capital		44.155	22.030	-	(0.012)	0.450	66.623	(8.169)	(58.454)	-	0.273	(0.273)	-
Differences relating to Officer Remuneration required by statute		0.858	0.055	-	-	-	0.913	-	(0.913)	-	-	-	-
Differences relating to Financial Instruments required by statute	22	(0.331)	(0.131)	-	-	-	(0.462)	-	0.462	-	-	-	-
Adjustments for Other Items		0.527	(0.076)	-	-	-	0.451	-	(0.451)	-	-	-	-
Net Increase/ (Decrease) before Transfers		(0.585)	(0.050)	-	(0.012)	0.450	(0.197)	(26.746)	16.180	(10.763)	4.062	1.179	(5.522)
Transfers to/ from Capital Fund		(0.140)	-	-	-	0.140	-	-	-	-	-	-	-
Transfers to/ from Other Statutory Reserves		0.286	-	(0.286)	-	-	-	-	-	-	(0.915)	0.915	-
Interest on Revenue Balances		(0.088)	-	0.017	-	0.071	-	-	-	-	-	-	-
Increase/ (Decrease) in 2019/20		(0.527)	(0.050)	(0.269)	(0.012)	0.661	(0.197)	(26.746)	16.180	(10.763)	3.147	2.094	(5.522)
Balance as at 31 March 2020		36.092	13.910	3.117	3.501	14.862	71.482	261.530	(43.237)	289.775	9.521	22.829	322.125

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019/20					2020/21			
EAC			Group		EAC			Group
£m Exp	£m Income	£m Net	£m Net	**Operating**	£m Exp	£m Income	£m Net	£m Net
179.539	(16.876)	162.663	162.663	Education	140.041	(23.442)	116.599	116.599
11.088	(1.041)	10.047	10.542	Finance and ICT	11.631	(1.023)	10.608	10.608
10.111	(3.484)	6.627	6.627	Planning and Economic Development	12.946	(2.793)	10.153	10.153
0.412	0.115	0.527	0.527	Economy and Skills Other Segments	0.452	0.145	0.597	0.597
24.158	(5.368)	18.790	18.790	Housing and Communities	24.143	(5.124)	19.019	19.019
27.954	(12.748)	15.206	15.206	Ayrshire Roads Alliance	27.513	(11.247)	16.266	16.266
33.416	(12.240)	21.176	21.176	Facilities and Property Management	29.029	(9.829)	19.200	19.200
2.340	(0.081)	2.259	2.259	Human Resources	2.311	(0.086)	2.225	2.225
7.667	(0.383)	7.284	7.284	Transport (incl SPT)	7.928	(0.279)	7.649	7.649
6.747	(0.053)	6.694	6.694	Arms Length Organisations	9.924	(0.072)	9.852	9.852
3.625	(0.361)	3.264	3.042	Safer Communities Other Segments	3.361	(0.516)	2.845	3.160
114.368	(110.626)	3.742	3.742	Social Work: Provision of Services	131.221	(128.448)	2.773	2.773
80.774	-	80.774	80.774	Contribution to the IJB	82.043	-	82.043	82.043
5.143	(1.466)	3.677	3.677	Governance	5.104	(1.127)	3.977	3.977
0.745	(0.004)	0.741	0.741	Chief Executive Office (incl Internal Audit)	0.713	(0.004)	0.709	0.709
32.295	(33.001)	(0.706)	(0.706)	Central Services	39.261	(32.574)	6.687	6.687
3.981	(3.938)	0.043	0.043	Projects	5.427	(4.371)	1.056	1.056
65.767	(45.150)	20.617	20.617	Housing Revenue Account	49.636	(45.474)	4.162	4.162
610.130	**(246.705)**	**363.425**	**363.698**	**Net Cost Of Services**	**582.684**	**(266.264)**	**316.420**	**316.735**
		2.903	2.903	Losses on Disposals of Assets			0.363	0.363
		366.328	366.601	**Net Operating Expenditure**			316.783	317.098
		(50.321)	(50.321)	Income from Council Tax			(52.577)	(52.577)
		(202.352)	(202.352)	Government Grants (not service specific)			(241.635)	(241.635)
		(27.360)	(27.360)	Distribution from NDR Pool			(17.651)	(17.651)
		(23.687)	(23.687)	Capital Grants & Contributions		*Note 5*	(11.230)	(11.230)
		(303.720)	(303.720)	**Taxation & Non Specific Grant Income**			(323.093)	(323.093)
		62.608	**62.881**	**Net Operating Costs**			**(6.310)**	**(5.995)**
				Financing and Investment Income and Expenditure				
		5.165	5.165	Net Interest on Net Defined Pension Liability		*Note 8*	3.300	3.300
		-	(4.060)	Share of Surplus on Provision of Services of Associates & Joint Ventures			-	(5.678)
		(0.563)	(0.565)	Interest and Investment Income		*Note 22*	(0.147)	(0.148)
		22.266	22.266	Interest Payable and Similar Charges			22.029	22.029
		89.476	**85.687**	**Deficit on the Provision of Services**			**18.872**	**13.508**
		18.577	21.153	(Surplus)/ Deficit on Revaluation of Non Current Assets			2.234	2.199
		(97.290)	(97.290)	Remeasurement of the Net Defined Pension Benefit Liability (Asset)		*Note 8*	35.085	35.085
		-	(4.028)	Share of Other Comprehensive (Income)/ Expenditure of Associates & Joint Ventures			-	0.416
		10.763	**5.522**	**Total Comprehensive Expenditure**			**56.191**	**51.208**

BALANCE SHEET

This is a snapshot at 31 March 2021 of the value of assets and liabilities we hold, matched by our reserves shown as Usable (those we can use to provide services subject to the need to maintain a prudent level and any statutory limitations on their use) and Unusable (those we cannot use to provide services).

31 March 2020				31 March 2021	
EAC	Group			EAC	Group
£m	£m			£m	£m
851.477	856.981	Property, Plant & Equipment	*Note 12*	871.583	876.807
65.256	65.256	Heritage Assets	*Note 16*	41.543	41.543
0.665	0.665	Intangible Assets	*Note 14*	0.457	0.457
-	26.463	Investments in Associates and Joint Ventures	*Note 32*	-	32.829
0.406	0.406	Non Current Receivables (Long Term Investments)	*Note 22*	0.399	0.399
917.804	**949.771**	**Non Current Assets**		**913.982**	**952.035**
0.030	0.413	Short Term Investments	*Note 22*	0.021	0.405
1.480	1.480	Inventories	*Note 17*	1.750	1.750
31.474	31.474	Debtors	*Note 18*	38.633	38.633
0.224	0.224	Assets Held for Sale	*Note 15*	0.046	0.046
22.466	22.466	Cash and Cash Equivalents	*Note 19*	32.341	32.341
55.674	**56.057**	**Current Assets**		**72.791**	**73.175**
(50.974)	(50.974)	Short Term Borrowing		(63.191)	(63.191)
(44.744)	(44.744)	Creditors (Including Grants Receipts in Advance)	*Note 18*	(69.263)	(69.263)
(15.138)	(15.138)	Provisions	*Note 20*	(6.507)	(6.507)
(110.856)	**(110.856)**	**Current Liabilities**		**(138.961)**	**(138.961)**
(129.177)	(129.177)	Pension Liabilities	*Note 8*	(183.017)	(183.017)
(92.263)	(92.263)	Other Long Term Liabilities	*Note 22*	(88.974)	(88.974)
(351.407)	(351.407)	Long Term Borrowing	*Note 22*	(342.237)	(342.237)
-	-	Liabilities in Associates and Joint Ventures	*Note 32*	-	(1.104)
(572.847)	**(572.847)**	**Non Current Liabilities**		**(614.228)**	**(615.332)**
289.775	**322.125**	**Net Assets**		**233.584**	**270.917**
71.482	71.482	Usable Reserves (Available to Fund Services)	*MiRS*	97.245	97.245
-	9.521	Share of Usable Reserves of Associates and Joint Ventures		-	10.251
(43.237)	(43.237)	Unusable Statutory Adjustments Accounts	*Note 25*	(115.045)	(115.045)
261.530	261.530	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	*Note 25*	251.384	251.384
-	22.829	Share of Unusable Reserves of Associates and Joint Ventures		-	27.082
289.775	**322.125**	**Net Reserves**		**233.584**	**270.917**

Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 24 June 2021 and the audited accounts were authorised for issue on 30 September 2021.

Joseph McLachlan CPFA
Chief Financial Officer and Head of Finance & ICT
30 September 2021

CASH FLOW STATEMENT

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

2019/20					2020/21	
EAC	Group				EAC	Group
£m	£m				£m	£m
89.476	85.687	**Deficit on the Provision of Services**			18.872	13.508
-	4.060	Deficit attributable to Associates and Joint Ventures			-	5.678
89.476	**89.747**	**(Surplus)/ Deficit on the Provision of Services**			**18.872**	**19.186**
		Non Cash Items in the Comprehensive Income and Expenditure Statement				
(109.215)	(109.488)	Depreciation and Impairment			(52.521)	(52.836)
(3.636)	(3.636)	Carrying Amount of Non Current Assets Sold		*Note 12*	(1.614)	(1.614)
(22.205)	(22.205)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations		*Note 8*	(18.755)	(18.755)
-	-	Available for Sale Financial Instruments - Fair Value Adjustment			-	-
0.025	0.025	EIR Stepped Loan Adjustment			0.021	0.021
(135.031)	**(135.304)**				**(72.869)**	**(73.184)**
		Changes in Working Capital				
(0.064)	(0.064)	Increase/ (Decrease) in Stock and Work in Progress		*Note 17*	0.270	0.270
(2.008)	(2.008)	Increase/ (Decrease) in Debtors			7.145	7.145
3.391	3.391	(Increase)/ Decrease in Creditors			(15.770)	(15.770)
1.319	**1.319**				**(8.355)**	**(8.355)**
		Adjustments for items which are included in the net surplus or deficit on the provision of services that are investing or financing activities				
8.985	8.985	Net Decrease in Short Term Deposits			0.012	0.012
23.687	23.687	Capital Grants Received			11.230	11.230
0.734	0.734	Sale of Non Current Assets			1.251	1.251
33.406	**33.406**				**12.493**	**12.493**
(10.830)	**(10.832)**	**Net Cash Outflow/ (Inflow) from Operating Activities**			**(49.859)**	**(49.860)**
		Investing Activities				
103.634	103.634	**Cash Outflows:**	Purchase of Non Current Assets	*Note 10*	52.376	52.376
-	0.002		Increase in Short Term Deposits		-	0.001
103.634	**103.636**				**52.376**	**52.377**
(0.734)	(0.734)	**Cash Inflows:**	Sale of Non Current Assets	*Note 4*	(1.251)	(1.251)
(8.985)	(8.985)		Decrease in Short Term Deposits		(0.012)	(0.012)
(23.687)	(23.687)		Capital Grants Received	*Note 5*	(11.230)	(11.230)
(33.406)	**(33.406)**				**(12.493)**	**(12.493)**
70.228	**70.230**	**Net Cash Outflow/ (Inflow) from Investing Activities**			**39.883**	**39.884**
		Financing				
-	-	**Cash Outflows:**	Repayments of Amounts Borrowed			-
2.954	2.954		Capital Element of Finance Lease Rental Payments		3.045	3.045
(70.634)	(70.634)	**Cash Inflows:**	New Loans Raised		(2.944)	(2.944)
(67.680)	**(67.680)**	**Net Cash Outflow/ (Inflow) from Financing Activities**			**0.101**	**0.101**
(8.282)	**(8.282)**	**Net Increase in Cash and Cash Equivalents**			**(9.875)**	**(9.875)**
14.184	**14.184**	**Cash and Cash Equivalents at the start of the reporting period**		*Note 19*	**22.466**	**22.466**
22.466	**22.466**	**Cash and Cash Equivalents at the end of the reporting period**		*Note 19*	**32.341**	**32.341**

Note to Cash Flow Statement – Included in Operating Activities is Interest paid in year of £21.699m; (2019/20, £21.918m) and Interest received in year £0.147m; (2019/20, £0.563m).

NOTES TO THE SINGLE ENTITY ANNUAL ACCOUNTS

NOTES TO THE ACCOUNTS

Note 1 – Expenditure and Income Analysed by Nature

Our expenditure and income is analysed as follows for 2020/21.

2019/20 £m	Expenditure and Income Analysed by Nature	2020/21 £m
	Expenditure	
237.859	Employee Benefit Expenses	243.526
295.254	Other Service Expenses	311.863
82.182	Depreciation, Amortisation and Impairment	30.595
22.266	Interest Payable and Similar Charges	22.029
2.903	(Gain)/ Losses on Disposals of Assets	0.363
640.464	**Total Expenditure**	**608.376**
	Income	
(246.705)	Fees, Charges and Other Service Income	(266.264)
(0.563)	Interest and Investment Income	(0.147)
(77.681)	Income from Council Tax and Non Domestic Rates	(70.228)
(226.039)	Government Grants and Contributions	(252.865)
(550.988)	**Total Income**	**(589.504)**
89.476	**(Surplus)/ Deficit on the Provision of Services**	**18.872**

Income from service recipients is recognised as performance obligations are satisfied, normally as services are rendered or goods are provided. We have examined the revenue received from contacts with service recipients and there are no material income factors requiring further disclosure other than noted in the table above. New income streams will be reviewed annually.

Note 2 – External Audit Costs

Fees payable to Audit Scotland for services carried out under the Code of Practice in 2020/21 were £0.292m (2019/20 £0.305m).

Note 3 – Agency Services

We bill and collect domestic water and sewerage charges on behalf of Scottish Water along with our own council tax. During the year we collected £17.688m and paid over £17.262m. We received £0.426m for providing this service (2019/20 £0.436m). We also act as agent on behalf of the Scottish Government collecting non-domestic rates. During 2020/21 we billed £16.929m on their behalf and we received £17.651m in Distributable income from the Non-Domestic Rates pool.

As part of the Scottish Government's response to the pandemic, targeted financial support was routed through councils and paid predominantly to the business community via a wide range of grants under an agency arrangement where the Scottish Government set out the specific parameters of the payments to be made, including the eligibility criteria, through detailed guidance provided to councils. Payments for the year totalled £33.976m (there were no Covid-19 agency grants paid out during 2019/20).

Note 4 – Material Items of Income and Expenditure

In 2020/21 we received additional grant funding of £76m from the Scottish Government in relation to the Covid-19 pandemic. £33.976m of this funding was treated as agency income and expenditure and does not impact upon the figures in the CIES. The remainder was treated as grant income, and is included in the CIES along with the related expenditure. Grant income not spent in 2020/21 has been earmarked for future years.

Note 5 – Grant Income

The following grants were credited to the CIES in 2020/21.

2019/20		2020/21
£m	**Credited to Taxation and Non-Specific Grant Income**	£m
202.352	Revenue Support Grant	241.635
27.360	Non-Domestic Rates	17.651
9.074	General Capital Grant	4.514
4.262	Council House Building Programme	0.955
10.351	Other Capital Grants	5.761
253.399	**Total**	**270.516**
£m	**Credited to Services/ IJB**	£m
29.914	DWP Housing Benefits	28.352
20.702	NHS Resource Transfer	21.596
7.423	Scottish Attainment Challenge	7.239
3.155	William McIlvanney Campus	3.157
2.630	Criminal Justice Grant	2.717
6.816	Scottish Government - Early Learning & Childcare	11.833
2.290	Coal Restoration	3.180
0.547	Crossroads Hub	0.389
1.227	Home Energy Efficiency Programmes Scotland (HEEPS) Grants	1.310
0.762	Private Sector Housing Grant	0.657
0.571	DWP Benefits Administration Grants	0.553
0.383	Education Maintenance Allowance	0.429
0.495	Dean Castle Restoration	-
0.185	Syrian Resettlement Programme	0.522
0.553	European Social Fund Grants	0.515
0.038	Skares Flood Risk Reduction	-
3.194	Ayrshire Growth Deal	3.806
1.550	Parks for the People	0.752
0.326	Skills Development Scotland Skillseeker Grant	0.166
-	Town Centre Regeneration	0.193
1.039	Various Minor Economy & Skills Grants	0.980
0.270	Various Minor Social Work Grants	0.444
1.076	Various Minor Safer Communities Grants	1.062
-	Covid 19 Service Grants	4.286
85.146	**Total**	**94.138**

Note 6 – Public Private Partnership (PPP) and Similar Contracts

Schools PPP Project: We entered into a PPP contract for the provision of school buildings, maintenance and other facilities for 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 schools became operational during 2007/08 and 2008/09 and the assets and liabilities have been recognised in the Balance Sheet. At the end of the contract the buildings and any plant and equipment installed in them will transfer to us for no cost.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2021/22	5.068	1.909	3.975	10.952
Payable within 2 to 5 years	20.721	9.203	16.189	46.113
Payable within 6 to 10 years	31.638	12.344	18.721	62.703
Payable within 11 to 15 years	30.847	19.010	20.472	70.329
Payable within 16 to 20 years	11.874	10.459	9.343	31.676
Total	**100.148**	**52.925**	**68.700**	**221.773**

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

2019/20		2020/21
£m		£m
56.389	**Balance outstanding at start of year**	**54.661**
(1.728)	Payments during the year	(1.736)
54.661	**Balance outstanding at year-end**	**52.925**

Schools Non-Profit Distributing (NPD) Project: The William McIlvanney campus was handed over to the Council during 2018/19, and is a NPD project constructed via Design, Build, Finance and Maintain contract through the Schools for the Future programme. At the end of the contract period (25 years from April 2018) the asset will revert to us.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2021/22	0.472	1.380	2.089	3.941
Payable within 2 to 5 years	2.543	5.793	7.706	16.042
Payable within 6 to 10 years	5.485	7.477	7.762	20.724
Payable within 11 to 15 years	7.419	8.732	5.409	21.560
Payable within 16 to 20 years	9.315	10.623	2.570	22.508
Payable within 21 to 25 years	3.637	5.333	0.314	9.284
Total	**28.871**	**39.338**	**25.850**	**94.059**

2019/20		2020/21
£m		£m
41.874	**Balance outstanding at start of year**	**40.648**
(1.226)	Payments during the year	(1.310)
40.648	**Balance outstanding at year-end**	**39.338**

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

Note 7 – Operating Leases

Council as Lessee: We have a number of assets under operating leases including properties, vehicles and plant and IT hardware. The expenditure charged to the Net Cost of Services in the CIES during the year in relation to these leases was £0.392m (£0.359m in 2019/20).

Council as Lessor: We lease 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. The income credited to the Net Cost of Services in the CIES during the year in relation to these leases was £0.867m (£0.893m in 2019/20).

Future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2020			31 March 2021	
Council as Lessee	Council as Lessor		Council as Lessee	Council as Lessor
£m	£m		£m	£m
0.354	0.778	Not later than 1 year	0.394	0.756
0.613	2.285	Later than 1 year and not later than 5 years	0.431	2.118
0.077	5.772	Later than 5 years	0.057	5.523
1.044	**8.835**	**Total**	**0.882**	**8.397**

Note 8 – Pension Schemes Accounted for as Defined Benefit Pension Schemes

Participation in Pension Schemes

We participate in the Strathclyde Pension Scheme, administered by Glasgow City Council which is a funded defined benefit scheme, meaning that our employees pay contributions calculated at a level intended to balance pension 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 meaning pensions benefits are earned on pensionable pay earned in the scheme year. We have additional liabilities for unfunded discretionary pension payments outside the main scheme which is operated under the regulatory framework for the Local Government Pension Scheme. The pensions committee of Glasgow City Council is responsible for the governance of the scheme and policy is determined in accordance with 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 27.

Transactions Relating to Post-Employment Benefits

We recognise 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.

2019/20	Local Government Pension Scheme	2020/21
£m	***Comprehensive Income and Expenditure Statement (CIES)***	£m
	Cost of Services:	
43.737	Current service costs	38.274
(4.480)	Past service costs (including curtailments)	1.055
	Financing and Investing Income and Expenditure:	
5.165	Net Interest Expense	3.300
44.422	Total Post Employment Benefit Charged to Surplus or Deficit on Provision of Services	42.629
	Other Post Employment Benefit Charged to the CIES:	
	Re-measurement of the net defined benefit liability comprising:	
60.720	*Return on pension fund assets*	(199.302)
(37.323)	Actuarial (gains) or losses arising on changes in demographic assumptions	(28.318)
(115.211)	Actuarial (gains) or losses arising on changes in financial assumptions	260.711
(5.476)	Actuarial (gains) or losses arising from other experience	1.994
(52.868)	Total Post Employment Benefit Charged to the CIES	77.714
	Movement in Reserves Statement (MiRS)	
(22.205)	Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post employment benefits in line with the Code	(18.755)
22.217	**Employers' contributions payable to Strathclyde Pension Fund**	**23.874**

Pension Assets and Liabilities on the Balance Sheet

2019/20		2020/21
£m		£m
(1,003.209)	Present Value of The Defined Benefit Obligation *	(1,251.904)
874.032	Fair Value of Pension Fund Assets	1,068.887
(129.177)	Net Liability arising from Defined Benefit Obligation	**(183.017)**
	*Unfunded Liabilities included in the figure for present value of liabilities	
(19.257)	Unfunded liabilities for Pension Fund	(20.918)
(23.232)	Teachers unfunded pensions	(25.234)
(6.598)	Unfunded liabilities prior to 1996 local government reorganisation	(6.405)

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

2019/20		2020/21
£m		£m
(1,113.745)	**Opening balance at 1 April**	**(1,003.209)**
(43.737)	Current Service Cost	(38.274)
(27.033)	Interest Cost	(23.428)
(5.970)	Contributions from scheme Participants	(6.342)
	Re-measurement gains and (losses)	
37.323	Actuarial gains or (losses) from changes in demographic assumptions	28.318
115.211	Actuarial gains or (losses) from changes in financial assumptions	(260.711)
5.476	Actuarial gains or (losses) from other experience	24.829
4.480	Past service cost	(1.055)
24.786	Benefits Paid	27.968
(1,003.209)	**Closing Balance at 31 March**	**(1,251.904)**

Reconciliation of Fair Value of the Scheme (plan) assets

2019/20		2020/21
£m		£m
909.483	**Opening Fair Value of Pension Fund Assets**	**874.032**
21.868	Interest Income	20.128
-	Re-measurement gains and (losses)	(26.823)
(60.720)	Return on pension fund assets	199.302
22.217	Contributions from employers	23.874
5.970	Contributions from employees into the scheme	6.342
(24.786)	Benefits Paid (including settlements)	(27.968)
874.032	**Closing Balance at 31 March**	**1,068.887**

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	2020/21				2019/20			
	Prices quoted in Active Markets	Prices not quoted in Active Markets	Total	%	Prices quoted in Active Markets	Prices not quoted in Active Markets	Total	%
	£m	£m	£m		£m	£m	£m	
Equity Securities	249.647	1.149	250.796	25%	201.620	0.529	202.149	22%
Debt Securities	-	-	-	0%	27.424	0.001	27.425	3%
Private Equity	-	191.182	191.182	18%	-	104.443	104.443	12%
Real Estate	-	86.603	86.603	8%	-	79.135	79.135	9%
Investment Funds and Unit Trusts	10.059	512.110	522.169	47%	286.897	85.608	372.505	44%
Derivatives	0.193	-	0.193	0%	0.018	-	0.018	0%
Cash & Cash Equivalents	17.220	0.724	17.944	2%	44.994	43.363	88.357	10%
Closing balance at 31 March	**277.119**	**791.768**	**1,068.887**	**100%**	**560.953**	**313.079**	**874.032**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed based on the latest full valuation of the scheme as at 31 March 2021.

Local Government Pension Scheme			
Mortality assumptions (years):			
Longevity at 65 for current pensioners:	Men	19.8	20.7
	Women	22.6	22.9
Longevity at 65 for future pensioners:	Men	21.2	22.2
	Women	24.7	24.6
Rate of inflation (RPI)		3.3%	2.8%
Rate of inflation (CPI)		2.9%	1.9%
Rate of increase in salaries		3.6%	3.0%
Rate of increase in pensions		2.9%	1.9%
Rate for discounting scheme liabilities		2.0%	2.3%
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 principal assumptions used by the actuary and the categorisation by proportion of the total assets are:

Change in Assumptions at 31 March 2021

	Approximate % increase in Employer Liability	**Approximate monetary amount £m**
0.5% decrease in Real Discount Rate	10%	£127,560
1 Year increase in Member Life Expectancy	3-5%	Not Quantified
0.5% increase in the Salary Increase Rate	1%	£18,490
0.5% increase in the Pension Increase Rate	8%	£105,894

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

Asset and Liability Matching (ALM) Strategy

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

Impact on the Authority's Cash Flow

The Fund's objective is to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across participating Local Authorities. Employers' contributions were set at 19.3% for 2020/21. The triennial valuation took place at 31 March 2020. 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 2022 is £20.128m. The assumed weighted average duration of the defined benefit obligation is 20 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

McCloud Judgement

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

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

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

Strathclyde Pension Fund's actuary has made an allowance for the estimated impact of the McCloud judgement within the 31 March 2021 funding valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). Further, an estimate allowance for McCloud has also been included within the service cost figures for both 2020/21 and 2021/22.

Guaranteed Minimum Pension (GMP)

GMP was accrued by LGPS members between 6 April 1978 and 5 April 1997. GMP value is inherently unequal between males and females for a number or reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between male and female benefits.

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

Strathclyde Pension Fund's actuary has included an allowance for full GMP indexation within the funding valuation position as at 31 March 2021 balance sheet date, assuming that the permanent solution will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards and the impact is included in our overall liability

Goodwin

On 30 June 2020, the Court ruled (Goodwin v Department of Education) that pension regulations treated a female member in an opposite sex marriage less favourably than a female member in a same sex marriage or civil partnership. Following the judgement the Chief Executive to the Treasury indicated that amendments would be made to public service pension schemes to ensure that surviving male same-sex and female same-sex spouses and civil partners will, in certain cases, receive benefits equivalent to those received by widows of opposite sex marriages.

There remains uncertainty surrounding the potential remedy to the Goodwin judgement, however, the Strathclyde Fund actuary has made an allowance for the potential impact on East Ayrshire's valuation results as at 31 March 2021.

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

Teachers are members of the Scottish Teachers' Superannuation Scheme which provides specified benefits upon retirement. We make contributions based on a percentage of members' pensionable salaries and it is technically a defined benefit scheme. Unlike the Local Government Scheme, we are not required to apply IAS 19 disclosures in respect of the Teachers' Scheme as the liability rests ultimately with the Scottish Government and the costs recorded are thus the actual contributions made during the year. The Scheme is accounted for as a defined contribution scheme and contributions in 2020/21 amounted to £12.474m, employer pension rates were 23% (2019/20 £10.816m,17.2% to 31/8/19 then 23%). In addition, contributions totalling £0.638m, 1.2% of pensionable pay, were made for discretionary payments (2019/20 £0.676m, 1.3% of pensionable pay). We are responsible for the costs of any additional benefits awarded upon early retirement. These are accounted for on a defined benefit basis.

Note 10 – Capital Expenditure and Capital Financing

Capital expenditure incurred in 2020/21 and the resources used to finance it are shown below. Also shown are the capital commitments at 31 March 2021.

2019/20 £m		2020/21 £m
488.386	**Opening Capital Financing Requirement**	**545.805**
	Capital Investment	
103.239	Property, Plant and Equipment	52.356
0.395	Intangible Assets	0.020
5.556	Revenue Expenditure Funded from Capital under Statute	4.442
	Sources of Finance	
(0.283)	Capital receipts	(0.438)
(29.243)	Government grants and other contributions	(15.672)
	Sums set aside from revenue:	
(8.540)	Direct revenue contributions	(2.850)
(2.954)	Repayment of PPP/Finance Lease Capital Debt	(3.045)
(10.751)	Loans Fund Principal	(11.529)
545.805	**Closing Capital Financing Requirement**	**569.089**
	Explanation of movements in year	
57.418	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	23.284
57.418	**Increase/ (Decrease) in Capital Financing Requirement**	**23.284**
26.973	**Capital Contract Commitments at 31 March - Property, Plant & Equipment**	**16.963**

Note 11 – Impairment Losses

An impairment loss of £17.094m was recognised in 2020/21 due to the revaluation of PPE (2019/20 £75.140m). The assets have been reduced to their new value in use and relevant impairment losses charged to the CIES.

Note 12 – Property, Plant and Equipment (PPE)

2020/21	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2020/21	2020/21
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	**Total PPE**	PPP/ NPD Assets included in Total PPE
Cost or Valuation:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2020	**317.808**	**384.016**	**46.564**	**138.775**	**16.697**	**70.294**	**974.154**	**127.600**
Expenditure	8.633	13.519	4.211	9.354	1.002	15.637	**52.356**	**0.006**
Revaluations (Effective 31 March):								
To Revaluation Reserve	(0.003)	16.262	-	-	0.864	-	**17.123**	**-**
To Net Cost of Services	(6.780)	(8.531)	-	-	(1.690)	-	**(17.001)**	**-**
Disposals	(1.414)	-	(1.581)	-	(0.170)	-	**(3.165)**	**-**
Reclassified (to)/from Held for Sale	-	-	-	-	-	-	**-**	**-**
Other movements	8.536	65.520	-	-	2.310	(76.366)	**-**	**-**
At 31 March 2021	**326.780**	**470.786**	**49.194**	**148.129**	**19.013**	**9.565**	**1,023.467**	**127.606**
Depreciation and Impairment:								**-**
At 1 April 2020	**(10.392)**	**(1.181)**	**(36.949)**	**(73.635)**	**(0.520)**	**-**	**(122.677)**	**-**
Depreciation charge	(11.383)	(11.587)	(3.043)	(7.818)	(1.368)		**(35.199)**	**(2.651)**
Depreciation written out								
To Revaluation Reserve	0.019	2.526	-	-	1.811	-	**4.356**	**-**
Disposals	0.100	-	1.533	-	0.003	-	**1.636**	**-**
Reclassifications	-	-	-	-	-	-	**-**	**-**
Other movements	-	(0.005)	-	-	0.005	-	**-**	
At 31 March 2021	**(21.656)**	**(10.247)**	**(38.459)**	**(81.453)**	**(0.069)**	**-**	**(151.884)**	**(2.651)**
Net Book Value at 31 March 2020	**307.416**	**382.835**	**9.615**	**65.140**	**16.177**	**70.294**	**851.477**	**127.600**
Net Book Value at 31 March 2021	**305.124**	**460.539**	**10.735**	**66.676**	**18.944**	**9.565**	**871.583**	**124.955**

2019/20	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2019/20	2019/20
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	**Total PPE**	PPP/ NPD Assets included in Total PPE
Cost or Valuation:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2019	**297.025**	**488.689**	**44.919**	**128.227**	**16.311**	**49.551**	**1,024.722**	**134.584**
Expenditure	20.422	14.613	2.604	10.548	0.463	54.628	**103.278**	**0.052**
Revaluations (Effective 1 April):								
To Revaluation Reserve	(0.004)	(73.898)	-	-	(0.034)	-	**(73.936)**	**(5.877)**
To Net Cost of Services	(23.736)	(51.457)	-	-	0.053	-	**(75.140)**	**(1.159)**
Disposals	(3.472)	(0.137)	(0.959)	-	(0.096)	-	**(4.664)**	**-**
Reclassified (to)/from Held for Sale	(0.085)	(0.021)	-	-	-	-	**(0.106)**	**-**
Other movements	27.658	6.227	-	-	-	(33.885)	**-**	**-**
At 31 March 2020	**317.808**	**384.016**	**46.564**	**138.775**	**16.697**	**70.294**	**974.154**	**127.600**
Depreciation and Impairment:								
At 1 April 2019	**(0.000)**	**(43.184)**	**(34.168)**	**(67.329)**	**(0.448)**	**-**	**(145.129)**	**(8.154)**
Depreciation charge	(10.519)	(13.322)	(3.690)	(6.306)	(0.142)	-	**(33.979)**	**(3.428)**
Depreciation written out								
To Revaluation Reserve	0.004	55.297	-	-	0.058	-	**55.359**	**11.582**
Disposals	0.123	0.028	0.909	-	0.012	-	**1.072**	**-**
Reclassifications	-	-	-	-	-	-	**-**	**-**
Other movements	-	-	-	-	-	-	**-**	**-**
At 31 March 2020	**(10.392)**	**(1.181)**	**(36.949)**	**(73.635)**	**(0.520)**	**-**	**(122.677)**	**-**
Net Book Value at 31 March 2019	**297.025**	**445.505**	**10.751**	**60.898**	**15.863**	**49.551**	**879.593**	**126.430**
Net Book Value at 31 March 2020	**307.416**	**382.835**	**9.615**	**65.140**	**16.177**	**70.294**	**851.477**	**127.600**

Note 13 – Fair Value Hierarchy

Surplus assets and held for sale assets are measured at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants. We use 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 are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets that we 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 surplus properties and Common Good investment properties fall into Level 2.

Note 14 – Intangible Assets

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

	Carrying Amount		Remaining
	31 March 2021 £m	31 March 2020 £m	Amortisation
Energywise Software	-	0.002	1 year
Northgate Software	0.016	0.033	2 years
Gov Delivery Platform	0.044	0.036	4 years
Health & Social Care Management Information System	0.397	0.594	4 years
	0.457	**0.665**	

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

2019/20 £m		2020/21 £m
	Balance at start of year:	
1.039	Gross carrying amounts	1.434
(0.673)	Accumulated amortisation	(0.769)
0.366	**Net carrying amount at start of year**	**0.665**
0.395	Purchases	0.020
(0.096)	Amortisation for the period	(0.228)
0.665	**Net carrying amount at end of year**	**0.457**
	Comprising:	
1.434	Gross carrying amounts	1.454
0.769	Accumulated amortisation	0.997

Note 15 – Assets Held for Sale

2019/20 £m	Current Assets	2020/21 £m
0.201	**Balance outstanding at start of year**	**0.224**
0.067	Assets newly classified as held for sale	-
	Revaluation Losses:	
-	To Revaluation Reserve	-
-	To Net Cost of Services	-
	Assets declassified as held for sale	(0.093)
(0.044)	Assets sold	(0.085)
0.224	**Balance outstanding at year-end**	**0.046**

Note 16 – Heritage Assets

We hold a number of collections which are preserved for future generations due to their cultural, environmental or historical associations and support the primary objective of increasing knowledge, understanding and appreciation. These collections fall into two main aims:

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

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.

2019/20 £m		2020/21 £m
65.256	**Cost or Valuation at 1 April**	**65.256**
-	Revaluations during the year	(23.713)
65.256	**Cost or Valuation at 31 March**	**41.543**
65.256	**Opening Net Book Value**	**65.256**
65.256	**Closing Net Book Value**	**41.543**

The 2019/20 Balance Sheet contained a valuation for Heritage Assets that was based on the insurance value of the overall collection and was supported by external professional valuations for the main items in the collection and by the in-house valuer for the smaller valued items. The main elements of the collection had been catalogued and valued whereas the smaller valued items had not been catalogued but were in the process of being recorded as part of the cataloguing programme being undertaken by the Trust. The 2020/21 Balance Sheet shows a downward movement in Heritage Asset values which is primarily due to the inability of the Council's insurer to obtain re-insurance options for the smaller uncatalogued items within the collection which in turn led to insurance for these elements being unavailable. During the audit process all such items were listed and valued by the Council's in-house valuer and this has led to the 2020/21 Balance Sheet increasing by £0.747m.

Note 17 – Inventories

2019/20 Consumable Stores £m	2019/20 Maintenance Materials £m	2019/20 Total £m		2020/21 Consumable Stores £m	2020/21 Maintenance Materials £m	2020/21 Total £m
0.626	0.919	1.545	Opening Balance	0.624	0.856	1.480
1.382	2.741	4.123	Purchases	3.166	3.061	6.227
(1.384)	(2.804)	(4.188)	Recognised as expense in the year	(3.019)	(2.938)	(5.957)
0.624	**0.856**	**1.480**	**Closing Balance**	**0.771**	**0.979**	**1.750**

Note 18 – Short Term Debtors and Creditors

31 March 2020 Debtors £m	31 March 2020 Creditors £m	Short Term Debtors and Creditors	31 March 2021 Debtors £m	31 March 2021 Creditors £m
12.671	(8.354)	Central Government bodies	11.606	(14.488)
1.176	(5.585)	Other Local Authorities	3.452	(11.122)
5.656	(0.094)	NHS bodies	9.566	(0.096)
-	(0.183)	Public Corporations and trading funds	-	(0.216)
11.971	(45.666)	Other entities and individuals	14.009	(43.341)
31.474	**(59.882)**	**Total**	**38.633**	**(69.263)**

Grants and contributions which have a condition attached that remains to be satisfied at the balance sheet date are recognised as grants receipts in advance. Included within the amounts above are grant receipts in advance totalling £9.726m (2019/20 £4.554m).

Note 19 – Cash and Cash Equivalents

31 March 2020 £m		31 March 2021 £m
0.051	Cash held by the Council	0.039
(1.101)	Bank current accounts	(3.146)
23.516	Short term deposits	35.448
22.466	**Total Cash and Cash Equivalents**	**32.341**

Note 20 – Provisions

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

A provision of £0.520m was set aside in previous years in respect of a legal dispute between the Council and the contractor procured to undertake the refurbishment of Hurlford Primary School. At the time the disclosure exemptions contained in IAS 37 were used in order not to prejudice the Council's case. In early 2021 the Court of Session determined in favour of the contractor and consequently the Council paid the disputed costs and other associated costs of £0.610m prior to 31 March 2021.

At 31 March 2021 £0.350m was provided for the cost of severances within services where arrangements have been agreed by Cabinet and the payments will be made in the coming months.

The Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill received Royal Assent on 23 April 2021 and work to establish the redress scheme is underway to ensure the scheme will open for applications by the end of 2021. Financial contributions will likely be requested from local authorities to support the redress scheme. In addition, as the work of the Inquiry progresses there remains the possibility that further historic claims will be submitted directly to the Council and thus far, we have received 6 claims, with 4 of them currently live. £1m has been set aside as a provision to offset future contributions from East Ayrshire to the Scheme. In addition a further amount has been set aside in respect of the live claims and the exemptions contained within IAS 37 have been used.

Strathclyde Regional Council (SRC) intromissions for our 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. In addition under the terms of this non-disclosure discussions are currently underway surrounding a ground lease and a claim therein for historic overpayment.

Note 21 – Contingent Assets and Liabilities

We are a member of Business Loans Scotland, which exists to co-ordinate the 12 former SRC authorities in respect of their relationship with the European Regional Development Fund. At 31 March 2021 our involvement stands at £0.895m. (2019/20 £0.886m.)

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

We have 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.

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

The Limitation (Childhood Abuse)(Scotland) Act 2017 has the effect of removing the three year time bar on survivors of abuse bringing forward claims for compensation. This would apply for all claims from 1964 onwards and there is a potential cost to the Council in respect of claims which may arise under the legislation.

Note 22 – Financial Instruments

Financial Assets and Financial Liabilities

31 March 2020				31 March 2021		
Non Current £m	Current £m	Total £m	Amortised Cost	Non Current £m	Current £m	Total £m
0.406	0.030	**0.436**	Investments	0.399	0.021	**0.420**
-	55.041	**55.041**	Debtors	-	76.599	**76.599**
0.406	**55.071**	**55.477**	**Total Financial Assets**	**0.399**	**76.620**	**77.019**
(443.670)	(52.075)	**(495.745)**	Borrowings	(431.211)	(66.338)	**(497.549)**
-	(44.362)	**(44.362)**	Creditors	-	(61.002)	**(61.002)**
(443.670)	**(96.437)**	**(540.107)**	**Total Financial Liabilities**	**(431.211)**	**(127.340)**	**(558.551)**

Items of Income

2019/20			2020/21	
Surplus or Deficit on the Provision of Services £m	Other Comprehensive Income and Expenditure £m	**Net gains/losses on:**	Surplus or Deficit on the Provision of Services £m	Other Comprehensive Income and Expenditure £m
-	-	Financial assets measured at amortised cost	-	-
-	**-**	**Total net gains/losses**	**-**	**-**
		Interest revenue:		
(0.563)	-	Financial assets measured at amortised cost	(0.147)	-
(0.563)	**-**	**Total interest revenue**	**(0.147)**	**-**
21.943	**-**	**Interest expense**	**21.720**	**-**

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

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

- For non-Public Works Loan Board (PWLB) loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2020			31 March 2021	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
0.030	0.030	Short Term Investments	0.021	0.021
0.406	0.406	Long Term Investments	0.399	0.399
55.041	55.041	Short Term Debtors	76.599	76.599
55.477	**55.477**	**Financial Assets**	**77.019**	**77.019**
(293.621)	(471.249)	PWLB Debt	(286.554)	(411.228)
(105.714)	(184.886)	Non-PWLB Debt	(115.587)	(176.101)
(1.101)	(1.101)	Short Term Borrowing	(3.146)	(3.146)
(44.362)	(44.362)	Short Term Creditors	(61.002)	(61.002)
(3.046)	(3.046)	Short Term Finance Lease Liability	(3.288)	(3.288)
(92.263)	(130.883)	Other Long Term Liabilities	(88.974)	(113.102)
(540.107)	**(835.527)**	**Financial Liabilities**	**(558.551)**	**(767.867)**

The fair value of the liabilities is greater than the carrying amount as our portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

However, we have the ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that will be paid as a result of PWLB commitments for fixed rate loans is to compare the terms of these loans with new borrowing rates available from PWLB. If a value is calculated on this basis, the carrying amount of £286.554m would be valued at £355.427m. If we were to realise the projected gain by repaying the PWLB loans, there would be a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £411.228m.

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

Note 23 – Nature and Extent of Risks Arising from Financial Instruments

Our activities expose us to a variety of financial risks:

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

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

Re-financing Risk: the possibility that we might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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

Our overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. Risk Management procedures are set out through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations which require us to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require us to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By adopting a Treasury Policy Statement and treasury management clauses in the financial regulations;
- By approving annually in advance prudential and treasury indicators for the following 3 years limiting:
  - Overall borrowing;
  - Maximum and minimum exposures to the maturity structure of debt;
  - Management of interest rate exposure; and
  - Maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

These require to be reported and approved at or before our annual council tax setting budget or before the start of the year to which they relate. They are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to our financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual Treasury Management Strategy incorporates the prudential indicators approved by Council on 5 March 2020, and is available on our website. The key areas within the strategy were:

- The Authorised Limit for 2020/21 was set at £553.671m, the maximum limit of external borrowings or other long-term liabilities;
- The Operational Boundary was expected to be £540.168m. This is the expected level of debt and other long-term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on our net debt; and
- The maximum and minimum exposures to the maturity structure of debt.

Risk management is coordinated by a central treasury team, under the approved Treasury Management Strategy and we have in place written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

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

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

We use the creditworthiness service provided by Link Asset Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The **2020/21 Investment Strategy** approved by Council on 5 March 2020 is available on our website. Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set.

Our maximum exposure to credit risk in relation to investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

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

Credit Risk Exposure at 31 March 2021

Counterparty	Credit Rating Criteria met when investment placed	Credit Rating Criteria met on 31 March 2021	Balance Invested at 31 March 2021						
			Up to 1 Month	Between 1 and 3	Between 3 and 6	Between 6 and 9	Between 9 and 12	Over 12	Total
	YES/NO	YES/NO	£m	£m	£m	£m	£m	£m	£m
UK Banks	YES	YES	21.448	-	-	-	-	-	**21.448**
Debt Management Office	YES	YES	14.000	-	-	-	-	-	**14.000**
Other	YES	YES	-	-	0.003	-	0.003	0.408	**0.414**
Total			**35.448**	**-**	**0.003**	**-**	**0.003**	**0.408**	**35.862**

Liquidity Risk

We manage our liquidity position through the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, and through a comprehensive cash flow management system required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

We have ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term fund and are also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that we will be unable to raise finance to meet commitments under financial instruments.

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

31 March 2020		31 March 2021
£m		£m
0.030	Less than 1 year	0.021
0.006	Between 1 and 2 years	0.005
0.006	Between 2 and 3 years	0.005
0.394	More than 3 years	0.389
0.436		**0.420**

Refinancing and Maturity Risk

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

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

- Financial liabilities and amending the profile through new borrowing or the rescheduling of existing debt; and
- Investments to ensure sufficient liquidity is available for day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved Minimum Limits	Approved Maximum Limits	31 March 2021 £m	%
Less than 1 year	0%	35%	66.338	13.33%
Between 1 and 2 years	0%	35%	9.486	1.91%
Between 2 and 5 years	0%	60%	34.429	6.92%
Between 5 and 10 years	0%	50%	79.622	16.00%
More than 10 years	0%	50% - 90%	307.674	61.84%
Total			**497.549**	**100.00%**

Trade Receivables
At 31 March 2021 potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £19.395m with a bad debt provision of £5.670m. 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 2020 £m		31 March 2021 £m
7.936	Less than 3 months	13.437
0.550	Between 3 and 6 months	0.240
0.697	Between 6 months and 1 year	0.427
5.236	More than 1 year	5.291
14.419		**19.395**

Market Risk
Interest rate risk – we are exposed to interest rate movements on borrowings and investments. Movements in interest rates have a complex impact, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be in the CIES.

We have a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together our prudential and treasury indicators and expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2021, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	0.314
Impact on Surplus or Deficit on the Provision of Services	**0.314**
Share of overall impact debited to the HRA	**0.083**
Decrease in fair value of fixed rate investment assets	0.008
Impact on Other Comprehensive Income and Expenditure	-
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)	**81.800**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 22 – Financial Instruments.

Price Risk – we do not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk – we have no financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates.

Note 24 – Related Parties

Related parties are organisations that we can control or influence or who can control or influence the Council. Central Government has effective control over our general operations and is responsible for providing the statutory framework within which we operate, provides the majority of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 5.

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

Chief Officers
All Chief Officers completed and signed a Related Party declaration for the year to 31 March 2021. Based on the completed returns there were no related party transactions in the year.

Entities Controlled or Significantly Influenced by the Council
East Ayrshire Leisure Trust and the Integration Joint Board are both deemed to be a related parties mainly through our ability to exert influence over them through our representation on the respective Board. The relevant transactions and balances with these bodies are:

During 2019/20		As at 31 March 2020			During 2020/21		As at 31 March 2021	
Charges to	Charges from	Due from	Due to	Entity	Charges to	Charges from	Due from	Due to
£m	£m	£m	£m		£m	£m	£m	£m
0.451	5.315	0.046	0.313	East Ayrshire Leisure Trust	0.637	5.424	0.126	0.046
101.779	80.774	-	3.223	Integration Joint Board	111.648	82.043	-	9.316

Note 25 – Unusable Reserves

Unusable Reserves are those we cannot use to provide services and are as follows:

2019/20		Unusable Reserves		Unusable Statutory Adjustment Accounts				2020/21
Total Unusable Reserves		Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
£m		£m	£m	£m	£m	£m	£m	£m
228.859	**Balance as at 1 April 2020**	**261.530**	**-**	**106.788**	**(129.177)**	**(11.575)**	**(9.273)**	**218.293**
78.713	Other Comprehensive Income and Expenditure	(2.234)	-	-	(35.085)	-	-	**(37.319)**
78.713	**Total Comprehensive Income and Expenditure**	**(2.234)**	**-**	**-**	**(35.085)**	**-**	**-**	**(37.319)**
	Adjustments between Accounting Basis and Funding Basis Under Statute							
(39.257)	Current and Past Service Pension Costs in Cost of Services	-	-	-	(39.329)	-	-	**(39.329)**
(5.165)	Net Interest on Net Defined Pension Liability	-	-	-	(3.300)	-	-	**(3.300)**
22.217	Employers Contributions to Pensions Fund	-	-	-	23.874	-	-	**23.874**
(22.205)	**Adjustments Relating to Pensions**	**-**	**-**	**-**	**(18.755)**	**-**	**-**	**(18.755)**
(33.979)	Depreciation of Non Current Assets	(7.912)	-	(27.287)	-	-	-	**(35.199)**
(75.140)	Impairment of Non Current Assets	-	-	(17.094)	-	-	-	**(17.094)**
(0.096)	Amortisation of Intangible Assets	-	-	(0.228)	-	-	-	**(0.228)**
23.699	Capital Grants & Contributions Applied	-	-	11.230	-	-	-	**11.230**
-	Capital Grants & Contributions Unapplied	-	-	-	-	-	-	-
13.706	Repayment of Debt	-	-	14.574	-	-	-	**14.574**
8.540	Capital Expenditure Funded in Year	-	-	2.850	-	-	-	**2.850**
0.283	Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	0.438	-	-	-	**0.438**
(3.636)	Net Gain/ Loss on Disposal of Non Current Assets	-	-	(1.614)	-	-	-	**(1.614)**
(66.623)	**Adjustments Relating to Capital**	**(7.912)**	**-**	**(17.131)**	**-**	**-**	**-**	**(25.043)**
(0.913)	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(1.295)	**(1.295)**
0.462	Differences relating to Financial Instruments required by statute	-	-	-	-	0.458	-	**0.458**
(0.451)	**Adjustments for Other Items**	**-**	**-**	**-**	**-**	**0.458**	**(1.295)**	**(0.837)**
(10.566)	**Increase (decrease) before transfers**	**(10.146)**	**-**	**(17.131)**	**(53.840)**	**0.458**	**(1.295)**	**(81.954)**
218.293	**Balance as at 31 March 2021**	**251.384**	**-**	**89.657**	**(183.017)**	**(11.117)**	**(10.568)**	**136.339**

Note 26 – 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 2020/21 the financial results for the Alliance are as follows:

Annual Estimate 2019/20 £m	Actual to 31/3/20 £m	Variance £m	Council	Annual Estimate 2020/21 £m	Actual to 31/3/21 £m	Variance £m
6.712	6.339	(0.373)	East Ayrshire Council	7.582	7.302	(0.280)
6.404	6.047	(0.357)	South Ayrshire Council (SAC)	6.110	6.062	(0.048)
13.116	**12.386**	**(0.730)**	**Total**	**13.692**	**13.364**	**(0.328)**

Annual Estimate 2019/20 £m	Actual to 31/3/20 £m	Variance £m	Detail	Annual Estimate 2020/21 £m	Actual to 31/3/21 £m	Variance £m
9.025	8.011	(1.014)	Employee Costs	9.210	8.313	(0.897)
0.578	0.510	(0.068)	Premises Costs	0.590	0.515	(0.075)
1.752	1.607	(0.145)	Transport Costs	1.634	1.524	(0.110)
5.148	5.333	0.185	Supplies and Services	4.962	4.989	0.027
2.587	3.826	1.239	Third Party Payments	2.437	3.038	0.601
0.383	0.338	(0.045)	Debt Charges	0.286	0.296	0.010
19.473	**19.625**	**0.152**	**Total Expenditure**	**19.119**	**18.675**	**(0.444)**
(6.357)	(7.239)	(0.882)	Income	(5.427)	(5.311)	0.116
13.116	**12.386**	**(0.730)**	**Net Expenditure**	**13.692**	**13.364**	**(0.328)**

Annual Estimate 2019/20 £m	Actual to 31/3/20 £m	Variance £m	Amount Charged to SAC at Year End £m	Strategic Delivery	Annual Estimate 2020/21 £m	Actual to 31/3/21 £m	Variance £m	Amount Charged to SAC at Year End £m
2.073	1.844	(0.229)	n/a	East Ayrshire Council	2.285	1.889	(0.396)	
2.005	1.765	(0.240)	(0.240)	South Ayrshire Council	2.005	1.846	(0.159)	(0.159)
4.078	**3.609**	**(0.469)**	**(0.240)**	**Total**	**4.290**	**3.735**	**(0.555)**	**(0.159)**

Annual Estimate 2019/20 £m	Actual to 31/3/20 £m	Variance £m	Amount Charged to SAC at Year End £m	Local Delivery	Annual Estimate 2020/21 £m	Actual to 31/3/21 £m	Variance £m	Amount Charged to SAC at Year End £m
4.639	4.495	(0.144)	n/a	East Ayrshire Council	5.297	5.413	0.116	
4.399	4.282	(0.117)	(0.117)	South Ayrshire Council	4.105	4.216	0.111	0.111
9.038	**8.777**	**(0.261)**	**(0.117)**	**Total**	**9.402**	**9.629**	**0.227**	**0.111**

Note 27 – Accounting Policies

(A) General Principles

The Accounts summarise our transactions for the 2020/21 financial year and the position as at 31 March 2021. We are 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 2020/21 (The Accounting Code) supported by International Financial Reporting Standards (IFRS). These are designed to give a "true and fair view" of the financial performance of the Council and its Group.

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

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

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

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

(B) Accruals of Income and Expenditure

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

- Revenue from the sale of goods and services is recognised in accordance with the terms and conditions of the contract;
- All expenses are recorded on an accruals basis. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the debtors balance is reduced and a charge made to revenue for income that may not be collected; and
- Where we are acting as an agent (e.g. in the distribution of Scottish Government Covid-19 Business Grants), income and expenditure are recognised only to the extent that commission is receivable for the agency services rendered or we incur expenses directly on our own behalf rendering the services.

(C) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 3 months from 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 net of bank overdrafts.

(D) Material Items and Prior Period Adjustments

Income and expenditure we consider material to understand our financial performance are disclosed in the CIES or in the notes.

(E) Charges to Revenue for Non Current Assets

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

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

We are not required to raise council tax to cover depreciation, impairment losses or amortisation, however, we are required to contribute annually from revenue towards reducing borrowing. Depreciation, revaluation and impairment losses, and amortisation are replaced by loans fund principal, by an adjustment between the General Fund and the Capital Adjustment Account within the MiRS.

(F) Employee Benefits

Benefits Payable During Employment: salaries, wages, overtime and paid annual leave for current employees are recognised in the year worked with accruals made for holiday entitlements or leave earned but not taken before the year-end where appropriate.

Termination Benefits: are payable as a result of a decision to terminate employment before the normal retirement date or for voluntary redundancy and charged when we commit to a termination, the offer cannot be withdrawn and agreement has been granted by Cabinet. Where pension enhancements are included, the General Fund balance is charged with the amount payable to the pension fund or pensioner and the MiRS reflects cash paid.

Post-Employment Benefits: we participate in 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 (retirement lump sums and pensions) earned as employee members.

The Teachers' Scheme is accounted for as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The CIES (Education) is charged with the in-year employer's contributions payable to teachers' pensions.

The Local Government Pension Scheme is accounted for as a defined benefits scheme with our liability 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 employee retirement benefits earned to date, based on assumptions about mortality rates, employee turnover rates, etc. and current employees projected earnings. Liabilities are discounted to value at current prices, using a discount rate used by the actuaries to value the liability. Assets attributable to us are included in the Balance Sheet at fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property. Changes in net pensions liability is accounted for under IAS 19 - Employee Benefits.

The MiRS, reflects Pensions Reserve appropriations to remove notional charges and credits for retirement benefits and replace these with cash paid to the pension fund and pensioners and any amounts payable but unpaid at year-end.

Discretionary Benefits: we have restricted powers to make discretionary awards 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 policies applied to Strathclyde Pension Fund.

(G) Financial Liabilities: are recognised in our Balance Sheet when we become party to the contractual provisions of a financial instrument, initially measured at fair value and carried at their amortised cost. Annual interest payable in the CIES is 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 discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Borrowings in the Balance Sheet comprise outstanding principal repayable plus accrued interest. Interest charged to the CIES is the annual amount payable according to the loan agreement. Gains/ losses on repurchase or early settlement of borrowing are reflected in the CIES in the year of repurchase/settlement. Where repurchase has taken place as part of restructuring the loan portfolio that involves the modification or exchange of existing instruments, the premium/discount is respectively deducted from/ 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, regulations permit restructuring costs to be released to revenue over the period of the replacement loan. Reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to/from the Financial Instruments Adjustment Account.

(H) Financial Assets

Based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics, there are 3 classes measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI).

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

Financial Assets Measured at Amortised Cost: are recognised when we become party to contractual provisions of a financial instrument and are initially measured at fair value, subsequently measured at amortised cost. Interest receivable in the CIES is based on the asset's carrying amount multiplied by the effective interest rate. For most of the financial assets held, this means that the amount in the Balance Sheet is outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the loan agreement. Gains/losses arising on de-recognition are included in the CIES.

Expected Credit Loss Model - We recognise expected credit losses on financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held.

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

Financial Assets Measured at Fair Value through Profit or Loss (FVPL): are recognised when we become party to the contractual provisions of a financial instrument, initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive and based on the following techniques:

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Gains and losses arising from de-recognition of the asset are reflected in the CIES.

(I) Government Grants and Contributions: are recognised as due when there is reasonable assurance that we will comply with any conditions and the grants will be received. Amounts recognised as due are credited to the CIES when conditions have been met. When conditions have not been met advance funds are recognised as creditors. When conditions are satisfied, the grant is credited to the CIES. Where the condition of grant cannot be satisfied 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 finance capital expenditure it is held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

(J) Intangible Assets: expenditure on non-monetary assets that don't have physical substance but are controlled as a result of past events is capitalised when expected to bring benefits for more than a year. Intangible assets are initially measured at cost. Amounts are not revalued, as the fair value of the assets cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the CIES. Where expenditure qualifies as capital expenditure, amortisation, impairment losses and disposal gains cannot have an impact on the General Fund Balance and gains/losses are reversed in the MiRS and posted to the Capital Adjustment Account.

(K) Inventories: consumable Stocks and Work-In-Progress are valued at cost except for the HRA where average cost is used.

(L) 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 to the lessee; all others are classified as operating leases. Where a lease covers both land and buildings, the elements are separately classified.

The Council as Lessee - Operating Leases: we rent offices and buildings as tenant on a variety of lease terms accounted for as operating leases. Rentals paid are charged to the CIES as an expense of the service using of the leased property over the term of the lease.

The Council as Lessor - Operating Leases: where we grant an operating lease for a property/PPE, the asset is retained in the Balance Sheet. Rental income is credited to the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. a premium is paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the relevant asset's carrying amount and expended over the lease term in line with rental income.

(M) Support Services: are shown in line with our management structure. ***Overheads:*** are charged on the basis of service accountability, financial performance and consumption.

(N) Property, Plant and Equipment (PPE): have physical substance, are held for use in the supply of services, for rental to others or for administrative purposes and are expected to be used during more than one financial year.

Recognition: expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided it is probable that we'll receive future economic benefits or service potential associated with the item and the cost 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 incurred. Plant, furniture and computer equipment costing less than £6,000 are not treated as PPE and are charged to the CIES. De-minimis does not apply where certain categories of assets are grouped together and form part of the approved capital programme.

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

Measurement: assets are initially measured at cost, comprising the purchase price and costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. We do not capitalise borrowing costs incurred whilst assets are under construction.

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

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

Where there is no market based evidence of fair value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. Where non- property assets have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their fair value at year-end but as a minimum every 5 years. We revalue land and buildings in a 5-year rolling programme at 31 March. Valuations have been compiled by an external valuer. Surplus assets not held for sale are depreciated. Housing stock was revalued at 31 March 2019 in line with our revaluation policy.

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

Impairment: as part of their normal duties officers report at the year-end on any material events that affect asset values. Where indications exist that an asset may be impaired and any possible differences are estimated to be material, the recoverable amount is estimated and where this is less than the carrying amount of the asset an impairment loss is recognised for the shortfall. Impairment losses are initially debited to the Revaluation Reserve up to the total value of any revaluation gains held for the individual asset and thereafter recognised in the CIES. Where an impairment loss is subsequently reversed, the reversal is credited to the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

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

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

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

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

Disposals and Non Current Assets Held for Sale: when it becomes probable that the carrying amount will be recovered principally through a sale rather than through continued use, assets are reclassified as Assets Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less cost to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to Other Operating Expenditure in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus/ Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

- The property is available for immediate sale in its present condition;
- The sale must be highly probable and an active programme to locate a buyer must have been initiated;
- The asset must be actively marketed for sale at a price reasonable in relation to its current fair value; and
- 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 PPE will be reclassified to Assets Held for Sale. The date of reclassification will normally follow approval by Cabinet to sell the asset. If assets no longer meet the Assets Held for Sale criteria, they are reclassified as 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 disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is charged to the CIES as part of the disposal gain/loss. Disposal receipts are credited to the CIES as part of the gain/ loss on disposal i.e. netted-off against carrying value at the time of disposal and revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

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

Heritage Assets held are:

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

Heritage Assets do not include:

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

The assets are held at valuation and no depreciation is charged on the assets.

The valuation at 31 March is based upon information held in catalogues or inventories maintained by East Ayrshire Leisure Trust. Valuations have been largely undertaken on an insurance basis with the main collections of fine art, arms and militaria, manuscripts, musical instruments and tapestries held at values determined by specialist external valuers. For the remainder of the collection the values have been determined by experienced officers in the East Ayrshire Leisure Trust and take into account that whilst these items may have relevance in terms of local history, they have little or no monetary value.

(P) Public Private Partnership (PPP): are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PPP operator. As we are deemed to control the services that are provided under schools PPP scheme and as ownership of the schools will pass to us at the end of the contracts for no additional charge, the accounting regulations (IFRIC12 Service Concession Arrangements) require us to recognise the assets as part of our PPE.

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. Schools PPP assets are revalued and depreciated in the same way as other non current assets we own. The amounts payable to the PPP operator each year are analysed into:

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

(Q) Common Good: as part of the management arrangements where land and buildings are confirmed as belonging to the Common Good, and where we incur costs or receive income relating to these assets as the managing agent, the Common Good pays a nominal annual £1 fee (if asked) in return for the management of the asset. We remain responsible for all costs and income relating to the asset and are entitled to use the asset. These funds do not represent assets available us.

(R) Provisions: are made in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and charged as an expense in the CIES when we become aware of the obligation, measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of relevant risks and uncertainties. Payments made are charged to the provision. Estimated settlements are reviewed annually. 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 credited back to the relevant service.

(S) Contingent Liabilities: arise where an event has taken place that is a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within our control. They also arise where a provision would otherwise be made but it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

(T) Interests in Companies and Other Entities: we have material interests in companies and other entities that have the nature of associates and jointly controlled entities requiring us to prepare group accounts. These are not recorded in our single entity accounts as we have no shares in or ownership of any of these organisations.

(U) Reserves: reserves are created by appropriations from the General Fund Balance in the MiRS. Expenditure to be met from reserves is charged to the appropriate service in the CIES and the reserve is appropriated back into the General Fund Balance in the MiRS so that there is no net charge against council tax. Reserves are classified into Usable and Unusable.

Usable Reserves (available to support services): the General Fund Balance contains funds accumulated as part of our Reserves Strategy. Renewal and Repairs Fund provides for the upkeep of specific assets held. 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 (unrealised and have a deferred impact on taxation): are retained to manage the accounting processes for non current assets, financial instruments and retirement benefits and are not usable resources. These are as follows:

Revaluation Reserve and Capital Adjustment Account: arise from capital accounting requirements; the former represents the gains on revaluation of non-current assets not yet realised through sales; the latter relates to amounts set aside from capital resources to meet past expenditure.

Available for Sale Financial Instrument Reserve and the Financial Instruments Adjustment Account: arise from accounting for financial instruments; the former holds gains arising from increases in the value of investments; the latter is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing.

Pensions Reserve: arises from IAS 19 accounting disclosures for retirement benefits and recognises our share of actuarial gains and losses in the Strathclyde Pension Fund and the change in our share of the Pension Fund liability chargeable to the CIES.

Accumulated Absences Reserve: arises from IAS 19 accounting disclosures for Short Term Accumulated Benefits and recognises our liability for compensated staff absences earned but not taken in-year. Statutory Arrangements require the impact on General Fund Balances is neutralised by transfers to/from the Reserve.

(V) VAT: VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

(W) Presentation of items in other comprehensive income and expenditure: IAS 1 requires that where we have transactions that include amounts reclassifiable in the surplus/deficit on the provision of services, the items listed in other comprehensive income and expenditure must be grouped into items that will not be reclassified subsequently to the surplus/deficit on the provision of services when specific conditions are met. We have no such transactions.

Note 28 – Accounting Standards Issued not yet Adopted

The Code requires the Council to disclose information about accounting changes that will be required by new accounting standards in the Code due to be adopted in future years and the possible impact. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

- Amendments to IFRS 3 Business Combinations
- Amendments to IFRS9, IAS39 and IFRS7: Interest Rate benchmark Reform (Phase 1)
- Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16: Interest Rate benchmark Reform (Phase 2)
- Annual improvements to IFRS Standards 2015-2017 Cycle

None of the above have any impact on the 2020/21 Accounts.

IFRS16 implementation has been deferred to be effective from 1 April 2022 and included in the 2022/23 Code. This will have a material impact on the Annual Accounts which cannot be quantified at this time.

Note 29 – Events after the Balance Sheet Date

We are required to disclose material matters that arise between the Balance Sheet date (31 March 2021) and the date when the Accounts are authorised for issue which took place at the Council meeting on 24 June 2021. Events taking place after the date of authorisation for issue are not reflected in the Accounts.

The Chief Financial Officer and Head of Finance & ICT, being the responsible officer for the Council's affairs, signed the audited Annual Accounts on 30 September 2021. Subsequent events taking place after this date are not reflected in the Annual Accounts or notes.

Note 30 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 27, we have made certain judgements about complex transactions or those involving uncertainty about future events and these are:

- Our long term future plan estimates a budget gap for the year to 2030/31 of £90m and while future funding levels remain uncertain our financial planning in the short to medium term will ensure action is taken to close the gap albeit recognising the extent of the estimation within our planning model.
- We have considered our exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in our opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 21.
- The UK left the European Union on 31 January 2020 and there continue to be uncertainties around the impact this will have on the wider economy and the Council. While the EU Exit Withdrawal Agreement has been reached, issues remain including the impact on EU funded projects and how specifically, the UK Prosperity Fund will take over new and existing projects after December 2022. Our current assumptions around assets are that values will not be significantly impaired or the discount rate impacted. The position will continue to be monitored and reviewed going forward.
- Whilst Covid-19 has had a significant impact on Council Tax collection in 2020/21 we believe collection rates will recover in 2021/22 given the national support specifically for the Council Tax Reduction Scheme as well as other support deemed necessary.
- 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 has entered into two Public Private Partnerships (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded these are service concession arrangements. We are deemed to control the services provided under PPP and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP have been applied to these arrangements and the assets under the contracts (valued at net book value of £124.955m) are recognised as PPE on the Council's 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 us to identify and allocate additional funding to the Scheme.

Note 31 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The disclosure requirements for sources of estimation uncertainty apply to a limited set of matters. They relate to assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

These Accounts contain estimated figures that are based on assumptions about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require us to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £4.733m for each year that useful lives were reduced.
- Estimation of the net liability to pay pensions depends on a number of judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on assets. Strathclyde Pension Fund has engaged expert advice about the assumptions applied. The effects on the net pensions liability of changes in assumptions can be measured for instance, a 0.5% decrease in the real discount rate would result in an increase in the pension liability of £127.560m. However, the assumptions interact in complex ways. During 2020/21, the Pension Fund's actuaries advised our share of the net pension liability has increased by £53.840m.
- At 31 March 2021, the Council had an outstanding gross debtors balance of £19.395m. In line with the requirements of IFRS 9 around expected credit losses a detailed review of outstanding debtors was undertaken at 31 March 2021 and, with the exception of amounts owed to the Council by other public sector bodies, full provision has been made within services for outstanding debts in excess of 6 months. This equates to an allowance for doubtful debts of 29.2% (£5.670m). In terms of financial modelling a 1% increase in the allowance could lead to an additional cost of £0.057m. The 100% provision for sundry debts aged 6 months and over was undertaken as a result of Covid-19 and the impact it has had on payments. This will be reviewed during the year to establish whether payments have been received.
- Heritage assets are valued based on a combination of insurance valuation (98% of heritage assets by value) and judgement applied by experienced officers within East Ayrshire Leisure Trust (2% of heritage assets by value). The value of heritage assets held by the Council in 2020/21 is £41.543m (2019/20: £65.256m).

  Based on the information currently available, the Council is satisfied that the valuation included in the Annual Accounts is reasonable, and that a change in assumptions would not reasonably require material adjustment in the current year, as changes in assumptions would only impact those heritage assets not subject to insurance valuation. Given the level of judgement and the interlinking of assumptions, it is impracticable to provide a sensitivity analysis of the assumptions underpinning the valuation of heritage assets not subject to the insurance valuation.

  The Council acknowledges that there is a risk of adjustment of those heritage assets subject to insurance valuation in 2021/22 as the valuation provided can change in light of prevailing market conditions and insurance options.

  For heritage assets subject to in-house valuation, there is a risk of adjustment in 2021/22 as valuations are based on comparisons with collection items in the list subject to insurance valuation, external sources such as ARTUK and Museum Galleries Scotland, as well as professional judgement. As these input sources can be impacted by changing market conditions, there is a potential impact on the valuation determined by the Council's in-house valuer.
- We utilised the services of Graham and Sibbald to provide the valuations for property, plant and equipment required for 31 March 2021. As a result of Covid-19, the valuer has provided the following statement attached to their valuation:

  Market Conditions Explanatory Note
  The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees.

  Material Valuation Uncertainty
  The property sector in which a number of the subjects under valuation fall into continues to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation is therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review

The valuation report has been used to inform the measurement of property assets in these financial statements, set out in Note 12. As described above, the valuation report highlights a material uncertainty due to the impact of Covid-19. The valuer has confirmed that this material valuation uncertainty affects property assets within the following sectors:

- Any Retail and Leisure Assets falling into the 'Non-operational' category whereby the basis of valuation adopted is 'Fair Value – Investment Assets'.
- Assets falling into the 'Operational' Category whereby the basis of valuation adopted is 'Specialised - Existing Use Value' using the 'Depreciated Replacement Cost basis on a Modern Equivalent Asset basis'.

The Council has a 5 year rolling programme for asset valuations and has not obtained a complete valuation of all property assets for 2020/21 as this is not required. The Council recognises that there may now be greater uncertainty in markets on which the valuations for the remaining assets were based, and on which asset measurements reflected in these Annual Accounts have also been calculated.

The Council has therefore considered the total potential exposure to the material valuation uncertainty. For those property assets subject to valuation in 2020/21, the value of assets held by the Council which are subject to the material valuation uncertainty is £14.097m. The total value of assets held by the Council within the sectors impacted as set out by the valuer, which consequently may now be subject to greater uncertainty, is £315.400m. The remainder of the assets listed within Note 12 – valued at £455.110m – are not subject to this increased uncertainty.

Although the valuer has declared a material valuation uncertainty related to these specific property assets, the valuer has continued to exercise professional judgement in preparing the valuation and has confirmed that this is the best information available to the Council as at 31 March 2021 and can be relied upon.

The sectors impacted in 2020/21 differ from those in 2019/20, when a similar material valuation uncertainty clause was included in the valuation report provided by Graham and Sibbald. In 2019/20, the material valuation uncertainty applied to operational assets, due to a lack of available market data, which accounted for approximately 20% of the property assets valued in 2019/20. The increased uncertainty attached to those assets not revalued in the year impacted on approximately 43% of the Council's overall asset base in 2019/20. In 2020/21, the material valuation uncertainty applies to non-operational Retail and Leisure Assets valued on a 'Fair Value – Investment' basis, and operational assets valued on a 'Depreciated Replacement Cost' basis, which encompasses 33% of the Council's overall asset base in 2020/21. While the sectors impacted by the material valuation uncertainty have changed between 2019/20 and 2020/21, the overall level of uncertainty impacting on property valuations remains relatively consistent.

NOTES TO THE GROUP ENTITIES

Note 32 – 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 2021. 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 82. 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:

2019/20						2020/21				
	Balance Sheet extract						Balance Sheet extract			
Surplus/ (Deficit) on Operating Activities	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities		Surplus/ (Deficit) on Operating Activities	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
3.511	15.176	9.498	(0.180)	(1.079)	Strathclyde Partnership for Transport	0.475	15.510	9.875	-	(1.225)
(0.031)	-	0.107	-	(0.065)	Strathclyde Concessionary Travel Scheme Joint Committee	0.159	-	0.213	-	(0.011)
(0.069)	0.336	0.212	-	(0.042)	Ayrshire Valuation Joint Board	0.054	0.621	0.333	-	(0.057)
(0.373)	0.022	0.527	(0.096)	(0.436)	East Ayrshire Leisure Trust	(0.098)	0.019	0.775	(1.467)	(0.431)
1.022	-	2.483	-	-	Integrated Joint Board	5.088	-	7.570	-	-
4.060	15.534	12.827	(0.276)	(1.622)	Total Associates	5.678	16.150	18.766	(1.467)	(1.724)

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of twenty nine members representing the twelve constituent unitary authorities in the West of Scotland plus other interested parties. Of the twenty nine members, twenty are nominated from Councils and between seven and nine are public appointments. East Ayrshire Council has one Elected Member on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.46%. SPT Accounts can be obtained by contacting the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Committee (SCTS)

The Committee comprises the twelve Councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the Councils. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.81%. A copy of the Annual Accounts for SCTS can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Ayrshire Valuation Joint Board (AVJB)

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

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

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

East Ayrshire Leisure Trust

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

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

East Ayrshire Integration Joint Board (IJB)

The IJB is a statutory body established to integrate health and social care services between the Council and NHS Ayrshire and Arran and the contribution provided by the Council to the IJB in 2020/21 was £82.043m. The IJB Board comprises eight voting members with four made up of East Ayrshire councillors. The IJB is consolidated as a joint venture and therefore the percentage share is 50%. A copy of the Annual Accounts for the East Ayrshire Integration Joint Board can be obtained from the Chief Finance Officer, East Ayrshire Council, London Road, Kilmarnock, East Ayrshire, KA3 7BU.

Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Annual Accounts are contained in Note 27. 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

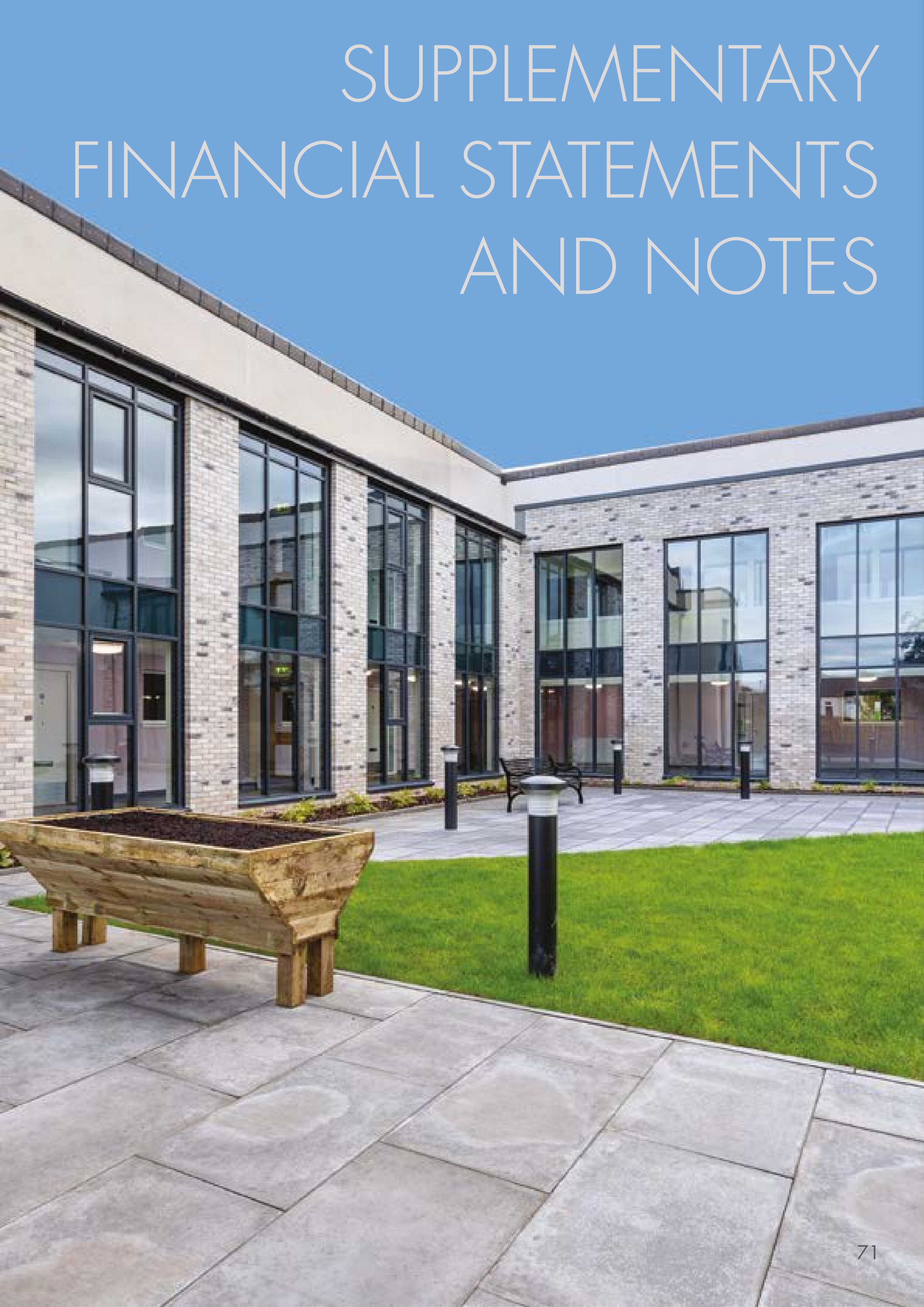
Valuation methods vary slightly across the group with the Council and East Ayrshire Leisure Trust using the lower of cost or net realisable value. None of the other bodies in the group hold inventories.

Ayrshire Growth Deal

The Ayrshire Economic Joint Committee was established on 24 April 2019 following agreement by East, North and South Ayrshire councils. The purpose of the Committee is to implement a governance structure to oversee the delivery of the Ayrshire Growth Deal and to promote the main drivers for the Regional Economic Partnership, namely to promote and deliver regional economic and inclusive growth on an Ayrshire-wide basis. The formal virtual signing of the Ayrshire Growth Deal took place on 19 November 2020 and aims to deliver over £251.5m of investment across Ayrshire.

During the year the all three councils made an equal contribution to the Project Management Office costs of £0.217m.

SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES



HOUSING REVENUE ACCOUNT (HRA)
Income and Expenditure Statement

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

2019/20 £m		2020/21 £m
	Income	
(44.426)	Dwelling Rents	(44.876)
(0.329)	Non Dwelling Rents	(0.310)
(0.908)	Any Other Income	(0.890)
0.513	Elimination Of Internal Recharges	0.602
(45.150)	**Total Income**	**(45.474)**
	Expenditure	
17.782	Repairs and Maintenance	18.927
11.467	Supervision and Management	11.717
34.738	Depreciation and Impairment of Non Current Assets	18.649
0.688	Bad and Doubtful Debts	0.540
1.605	Any Other Expenditure	0.405
(0.513)	Elimination Of Internal Recharges	(0.602)
65.767	**Total Expenditure**	**49.636**
20.617	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**4.162**
0.654	**HRA Share of Corporate and Democratic Core**	**0.658**
(0.449)	**HRA Share of Non Distributed Costs**	**0.106**
20.822	**Net Cost of HRA Services**	**4.926**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(4.304)	Capital Grants and Contributions Receivable	(0.955)
(4.304)	**Income**	**(0.955)**
3.066	(Gain) or Losses on Disposals of Assets	0.979
3.066	**Expenditure**	**0.979**
(1.238)	**HRA Share of Other Operating Expenditure**	**0.024**
	Investment	
(2.191)	Expected Return on Pension Assets	(2.016)
(2.191)	**Income**	**(2.016)**
(2.191)	**HRA Share of Investment Income**	**(2.016)**
	Financing	
(0.177)	Interest and Investment Income	(0.043)
(0.177)	**Income**	**(0.043)**
2.710	Pension Interest Cost	2.346
4.583	Interest Payable and Similar Charges	4.633
7.293	**Expenditure**	**6.979**
7.116	**HRA Share of Net Finance Expenditure**	**6.936**
24.509	**(Surplus) /Deficit on the HRA**	**9.870**

MOVEMENT ON THE HRA AND NOTES

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

2019/20 £m		2020/21 £m
(13.960)	**Balance on the HRA brought forward**	**(13.910)**
24.509	Deficit on the HRA	9.870
(24.459)	Adjustments between accounting basis and funding basis under statute	(14.509)
0.050	**Net (Increase) or Decrease before transfers to / from Reserves**	**(4.639)**
-	**Transfers to/ from Reserves**	**-**
0.050	**(Increase)/ Decrease on the HRA Balance for the Year**	**(4.639)**
(13.910)	**Balance on the HRA carried forward**	**(18.549)**

Further details of the adjustments between accounting basis and funding basis under statute for the HRA are included in the Movement in Reserves Statement on page 33 for 2020/21 and are shown as Adjustments relating to Pensions, Capital and Other Items.

Note 33 - Notes to the Housing Revenue Account

Housing Stock

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

31 March 2020 Total		31 March 2021 Flats	Houses	Total
2,270	One Bedroom	1,468	774	**2,242**
6,149	Two Bedroom	3,007	3,129	**6,136**
3,456	Three Bedroom	546	2,918	**3,464**
262	Four Bedroom	15	253	**268**
5	Five Bedroom	2	3	**5**
12,142	**Total**	**5,038**	**7,077**	**12,115**

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:

2019/20		2020/21
£73.08	Average Weekly Rent (52 weeks)	£74.23
£2.895m	Total Rent Arrears	£3.217m
£2.416m	Provision for Bad Debt	£2.751m

We are required to disclose the loss on void properties and in 2020/21 this amounted to £1.982m. The comparator figure for 2019/20 was £2.348m.

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.

2019/20 £m		2020/21 £m
68.996	**Gross Council Tax levied and contributions in lieu**	**72.648**
	Deduct:	
(9.035)	Council Tax Reduction	(10.093)
(8.182)	Other discounts and reductions	(8.448)
(1.965)	Provision for bad and doubtful debts	(2.056)
0.507	Adjustments to previous years Council Tax and Community Charge	0.526
50.321	**Net Council Tax Income Transferred to General Fund**	**52.577**

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 2020/21 was £1,375.35 (2019/20 £1,311.86). 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.

BAND	2020/21 £ per year
A	916.90
B	1,069.72
C	1,222.53
D	1,375.35
E	1,807.06
F	2,234.94
G	2,693.39
H	3,369.61

Note 34 – Calculation of the Council Tax base

2019/20 Total	Bands	A(d)	A	B	C	D	E	F	G	H	2020/21 Total
58,453	Properties		26,026	9,349	5,353	6,841	6,484	3,512	1,014	49	**58,628**
(1,972)	Exemptions		(1,253)	(263)	(142)	(113)	(71)	(32)	(5)	(2)	**(1,881)**
-	Disabled Reliefs	76	(3)	(34)	19	26	(45)	(28)	(12)	0	**-**
(22,176)	Discounts (25%)	(27)	(12,909)	(3,733)	(2,015)	(1,875)	(1,313)	(515)	(98)	(7)	**(22,492)**
(910)	Discounts (50%)	0	(554)	(126)	(80)	(88)	(36)	(20)	(7)	(3)	**(914)**
50,484	**Total equivalent**	69	21,266	8,056	4,686	6,241	6,022	3,313	969	44	**50,666**
	Ratio	5/9	6/9	7/9	8/9	9/9	12/9	15/9	18/9	22/9	
45,887	**Band 'D' equivalent**	**38**	**14,177**	**6,266**	**4,166**	**6,241**	**7,912**	**5,384**	**1,898**	**108**	**46,190**
(6,772)	Council Tax Reduction	(16)	(4,277)	(1,120)	(514)	(340)	(243)	(83)	(20)	0	**(6,613)**
39,115	**Band 'D' equivalent after CTR**	**22**	**9,900**	**5,146**	**3,652**	**5,901**	**7,669**	**5,301**	**1,878**	**108**	**39,577**
(656)	Bad debt provision										**(1,048)**
38,459											**38,529**

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.

2019/20 £m		2020/21 £m
41.170	**Gross rates levied and contributions in lieu**	40.862
	Deduct:	
(11.709)	Reliefs and reductions	(21.858)
(0.878)	Provision for bad and doubtful debts	(0.565)
28.583	**Net Non-Domestic Rate Income**	**18.439**
(2.082)	Prior year pool	(1.510)
0.859	Contributions from National Non-Domestic Rate Pool	0.722
27.360	**Income credited to the Comprehensive Income and Expenditure Statement**	**17.651**

Note 35 – Analysis of Rateable Values

	Number	£m
Shops	1,098	21.975
Industrial & Freight Transport Subjects	996	14.687
Offices (including Banks)	620	6.862
Other	305	3.474
Public Service Subjects	214	6.181
Leisure, Entertainment, Caravans and Holiday Sites	206	3.955
Garages and Petrol Stations	139	1.370
Public Houses	97	2.171
Religious	91	0.859
Health Medical	69	4.108
Education and Training	66	9.727
Care Facilities	53	2.355
Advertising	23	0.062
Cultural	25	0.465
Hotels, Boarding Houses, etc.	23	1.248
Undertaking	22	0.635
Sporting Subjects	417	0.563
Quarries, Mines, etc.	4	0.630
Petrochemical	2	0.176
	4,470	**81.503**

Note 36 – 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 2020/21 was 49.8p, with supplements of 1.3p and 2.6p.

REMUNERATION REPORT

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

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

For 2020/21 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £35,713. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them at £26,785.

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 £35,713 = £26,785). 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 £312,473. 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 2020/21 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 £312,158. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £375,961. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

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

Remuneration of Councillors

2019/20 £m		2020/21 £m
0.686	Salaries	0.701
0.021	Expenses	0.011
0.707	**Total**	**0.712**

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.

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

Total Remuneration 2019/20 £	Name	Designation	Total Remuneration 2020/21 £
34,907	D Reid	Leader of the Council	35,677
26,875	E Whitham	Depute Leader	27,892
25,452	T Cook	Leader of the Conservative Group	26,013
25,452	J McGhee	Leader of the Labour Group	26,013
25,452	F Campbell	Senior Councillor	26,013
25,452	B Douglas	Chair of Governance and Scrutiny Committee	26,013
25,452	G Jenkins	Senior Councillor	26,013
24,952	C Leitch	Depute Provost	25,504
25,452	I Linton	Senior Councillor	26,013
25,452	N McGhee	Senior Councillor	26,013
25,452	J McMahon	Senior Councillor	26,013
25,452	C Maitland	Senior Councillor	26,013
25,452	J Roberts	Senior Councillor	26,013
26,181	J Todd	Provost	26,758
4,233	J McFadzean	Convenor Ayrshire Valuation Joint Board	4,233
371,668			**380,194**

Note 1: *The 2020/21 costs relate to salary, fees and allowances; there were no taxable expenses or non-cash benefits in kind.*

Note 2: *Details for 2019/20 at: https://www.east-ayrshire.gov.uk/Resources/PDF/A/Annual-Accounts-2019-20.pdf*

Remuneration of Senior Employees of the Council

The remuneration of senior employees is also set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/150 sets the amount of salary for the Chief Executive of the Council for the year ended 31 March 2021. The salaries of the Chief Officers were reviewed as part of the Council's management restructure approved by Cabinet on 29 October 2014. The Council does not pay bonuses or performance related pay. Chief Officers are entitled to reimbursement for business travel and business related costs in accordance with amounts agreed nationally by the SJNC or as approved by the Council. Chief Officers are eligible to join the Local Government Pension Scheme.

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

Total Remuneration 2019/20 £	Name	Designation	Total Remuneration 2020/21 £ (Note 1)
136,473	F Lees	Chief Executive (Until 31 Jan 2021) (Note 2)	123,105
115,382	E Fraser	Chief Executive (From 11 Jan 2021) (Note 2) Director of Health & Social Care Partnership (Until 10 Jan 2021) (Note 4)	122,117
116,815	A McPhee	Depute Chief Executive and Chief Financial Officer (Until 4 Jan 2021) (Note 3)	108,749
115,382	K Kelly	Depute Chief Executive: Safer Communities	118,816
-	C McArthur	Director of Health & Social Care Partnership (From 22 Feb 2021) (Note 4)	6,864
94,151	D Mitchell	Chief Governance Officer	95,743
92,976	L McAulay-Griffiths	Head of Education	95,743
89,801	M McAulay	Head of Children's Health, Care and Justice Services	92,449
-	J McLachlan	Interim Head of Finance & ICT and Chief Financial Officer (From 4 Jan 2021) (Note 5)	19,984
760,980			**783,570**

Note 1: *2020/21 costs relate to salary, fees and allowances; there were no taxable expenses or compensation for loss of employment.*

Note 2: *The Chief Executive retired from the Council on 31 January 2021 and remuneration includes £1,172 in respect of the European Parliamentary Election (23 May 2019). The new Chief Executive was in post from 11 January 2021 and the full year remuneration of this post is £138,047.*

Note 3: *The Depute Chief Executive and Chief Financial Officer retired from the Council on 4 January 2021; the full year remuneration of the post is £118,976.*

Note 4: *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; the full year remuneration of this post is £118,976.*

Note 5: *The Interim Head of Finance & ICT took on the role of Chief Financial Officer from 4 January 2021; the full year remuneration is £103,914.*

Note 6: *Details of Senior employees who left the Council during 2019/20 can be found at:* *https://www.east-ayrshire.gov.uk/Resources/PDF/A/Annual-Accounts-2019-20.pdf*

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 2020/21. In accordance with the disclosure requirement of the Regulations, the information in the table which follows shows the number of employees in bands of £5,000 and includes the senior employees who are subject to the full disclosure requirements.

		Number of Employees			
2019/20 Total	Remuneration band	2020/21 Officers	2020/21 Teachers	2020/21 Total	Left During Year
144	£50,000 – £54,999	64	86	150	2
86	£55,000 – £59,999	34	59	93	-
48	£60,000 – £64,999	20	24	44	1
11	£65,000 – £69,999	17	11	28	3
9	£70,000 – £74,999	1	-	1	-
1	£75,000 – £79,999	1	2	3	-
2	£80,000 – £84,999	3	1	4	-
8	£85,000 – £89,999	2	1	3	-
3	£90,000 – £94,999	3	1	4	-
1	£95,000 – £99,999	2	1	3	-
-	£105,000 – £109,999	1	-	1	1
3	£115,000 – £119,999	1	-	1	-
-	£120,000 – £124,999	2	-	2	1
1	£130,000 – £134,999	-	-	-	-
317		**151**	**186**	**337**	**8**

Pension Benefits

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

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

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

Senior Councillors

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

Name and Position Held	In-year Pension Contributions For year to 31 March 2021	For year to 31 March 2020		Accrued Pension Benefits As at 31 March 2021	Difference from 31 March 2020
	£	£ (Note 1)		£000	£000
D Reid	6,886	6,737	Pension	9	1
Leader of the Council			Lump Sum	3	-
E Whitham	5,119	5,009	Pension	3	1
Depute Leader			Lump Sum	-	-
T Cook	5,021	4,912	Pension	7	1
Leader of the Conservative Group			Lump Sum	2	-
J McGhee	5,021	4,912	Pension	6	1
Leader of the Labour Group			Lump Sum	2	-
B Douglas	5,021	4,912	Pension	2	1
Chair of Governance and Scrutiny Committee			Lump Sum	-	-
G Jenkins	5,021	4,539	Pension	1	-
Senior Councillor			Lump Sum	-	-
C Leitch	4,922	4,816	Pension	2	1
Depute Provost			Lump Sum	-	-
I Linton	5,021	4,912	Pension	7	1
Senior Councillor			Lump Sum	2	-
N McGhee	5,021	4,912	Pension	6	1
Senior Councillor			Lump Sum	2	-
J McMahon	5,021	4,912	Pension	2	1
Senior Councillor			Lump Sum	-	-
C Maitland	5,021	4,912	Pension	2	1
Senior Councillor			Lump Sum	-	-
J Roberts	5,021	4,912	Pension	2	1
Senior Councillor			Lump Sum	-	-
J Todd	5,164	5,053	Pension	7	1
Provost			Lump Sum	2	-
J McFadzean	817	817	Pension	1	-
Convenor Ayrshire Valuation Joint Board			Lump Sum	-	-
Total	**68,097**	**66,267**			

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

Note 2 Councillor F Campbell is not a member of the Strathclyde Pension Fund.

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.

	In-year Pension Contributions		Accrued Pension Benefits		
Name and Post Title	**For year to 31 March 2021 £**	**For year to 31 March 2020 £**		**As at 31 March 2021 £000**	**Difference from 31 March 2020 £000**
F Lees	23,533	25,838	Pension	83	4
Chief Executive (Until 31 Jan 2021)			Lump Sum	159	5
E Fraser	23,569	22,269	Pension	59	5
Chief Executive (From 11 Jan 2021) / Director of Health & Social Care (until 10 Jan 2021)			Lump Sum	97	5
A McPhee	18,604	22,269	Pension	65	(1)
Depute Chief Executive and Chief Financial Officer			Lump Sum	125	(4)
K Kelly	22,932	22,269	Pension	50	4
Depute Chief Executive: Safer Communities			Lump Sum	77	3
C McArthur	1,325	-	Pension	40	40
Director of Health and Social Care Partnership			Lump Sum	60	60
D Mitchell	18,478	17,944	Pension	45	3
Chief Governance Officer			Lump Sum	70	2
L McAulay-Griffiths	18,478	17,944	Pension	6	6
Head of Education *			Lump Sum	-	-
M McAulay	17,843	17,327	Pension	31	31
Head of Children's Health, Care and Justice Services			Lump Sum	39	39
J McLachlan	3,415	-	Pension	49	49
Interim Head of Finance & ICT and Chief Financial Officer			Lump Sum	90	90
Total	**148,177**	**145,860**			

**The Accrued Pension Benefits represent figures from the SPF and do not take account of SPPA Benefits.*

Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. Exit package values include redundancy, pension strain, and compensatory lump sum for all retirees. The values also include the notional capitalised cost of compensatory added years ("added years"). These are based on an assessment by the pension's provider of the present value of all future payments to the retiree until death. The number of exit packages with total cost per band and cost of the compulsory and other redundancies are set out below. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. In 2020/21 £1.327m was approved either by Cabinet or under the Head of Human Resources' delegated authority.

2019/20						2020/21				
	Compulsory Redundancies		Other Departures				Compulsory Redundancies		Other Departures	
No	Cash Value £000	Notional CAY Value £000	Cash Value £000	Notional CAY Value £000	Exit Packages Bands	No	Cash Value £000	Notional CAY Value £000	Cash Value £000	Notional CAY Value £000
11	-	-	98	-	£0 – £20,000	14	-	-	81	14
1	-	-	22	-	£20,001 – £40,000	3	-	-	88	-
2	-	-	89	6	£40,001 – £60,000	3	-	-	120	7
1	-	-	48	27	£60,001 – £80,000	7	-	-	332	121
-	-	-	-	-	£80,001 – £100,000	3	-	-	135	136
1	-	-	35	67	£100,001 – £150,000	1	-	-	74	40
1	-	-	87	70	£150,001 – £200,000	4	-	-	341	293
1	-	-	149	99	£200,001 – £250,000	-	-	-	-	-
1	-	-	151	137	£250,001 – £300,000	1	-	-	156	102
1	-	-	212	130	£300,001 – £350,000	-	-	-	-	-
20	-	-	891	536		36	-	-	1,327	713

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

Trade Union Facility Time Statement

Under the Trade Union (Facility Time Publication Requirements) Regulation 2017, we are required to collect and publish data in relation to our usage and spend of trade union facility time in respect of employees who are trade union representatives.

During 2020/21 there were 36 employees who were trade union representatives (35.2 FTE) and the percentage on facility time was:

% of Time	No. of Representatives
0%	8
1-50%	28
51-99%	0
100%	0

The percentage of the total paybill spent on facility time was 0.05% and the time spent on paid trade union activities as a percentage of total paid facility time hours was 37.65%

These disclosures are not subject to testing as part of the year-end audit. Details for the period 1 April 2020 to 31 March 2021 are available on our website at

https://www.east-ayrshire.gov.uk/JobsAndCareers/EqualityinEmployment.aspx.

Councillor Douglas Reid
Leader of the Council
30 September 2021

Eddie Fraser
Chief Executive
30 September 2021

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. We administer these Funds but they are not our assets and are not included in our Balance Sheet.

Movement in Reserves Statement for the Year ended 31 March 2021

2019/20 Usable Reserve: Capital and Revenue	2019/20 Unusable Reserves : Revaluation Reserve	2019/20 Total Reserves		2020/21 Usable Reserve: Capital and Revenue	2020/21 Unusable Reserves: Revaluation Reserve	2020/21 Total Reserves
£m	£m	£m		£m	£m	£m
0.381	8.353	8.734	Balance as at 31 March 2020	0.383	5.504	5.887
(0.271)	-	(0.271)	Deficit on Provision of Services	(0.314)		(0.314)
-	(2.576)	(2.576)	Surplus/ (Deficit) on Revaluation of Non Current Assets	-	0.035	0.035
0.273	(0.273)	-	Depreciation of Non Current Assets	0.315	(0.315)	-
0.383	**5.504**	**5.887**	**Balance as at 31 March 2021**	**0.384**	**5.224**	**5.608**

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2021

2019/20 Expenditure	2019/20 Income	2019/20 Net		2020/21 Expenditure	2020/21 Income	2020/21 Net
£m	£m	£m		£m	£m	£m
0.273	-	0.273	Net Cost Of Services	0.315	-	0.315
-	(0.002)	(0.002)	Interest and Investment Income	-	(0.001)	(0.001)
		0.271	**(Surplus) or Deficit**			0.314
		2.576	(Surplus)/ Deficit on the Revaluation of Non Current Assets			(0.035)
		2.847	**Total Comprehensive Expenditure**			**0.279**

Balance Sheet at 31 March 2021

2019/20		2020/21
£m		£m
5.504	Property Plant and Equipment	5.224
5.504	**Non Current Assets**	**5.224**
0.383	Short Term Investments - Loans Fund	0.384
0.383	**Current Assets**	**0.384**
5.887	**Net Assets**	**5.608**
0.383	Usable Reserves: Capital and Revenue Reserves	0.384
5.504	Unusable Reserves: Revaluation Reserve	5.224
5.887	**Net Reserves**	**5.608**

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

Cost or Valuation:	Darvel £m	Newmilns £m	Cumnock £m	Kilmarnock £m	Total £m
At 1 April 2020	0.659	0.036	0.685	4.138	5.518
Revaluations		(0.009)	(0.008)	(0.001)	(0.018)
At 31 March 2021	0.659	0.027	0.677	4.137	5.500
Depreciation and Impairment:					
At 1 April 2020	-	(0.001)	(0.013)	-	(0.014)
Depreciation charge	(0.045)	(0.001)	(0.039)	(0.230)	(0.315)
Depreciation written out - Revaluations		0.002	0.051		0.053
At 31 March 2021	(0.045)	-	(0.001)	(0.230)	(0.276)
Net Book Value at 31 March 2020	0.659	0.035	0.672	4.138	5.504
Net Book Value at 31 March 2021	0.614	0.027	0.676	3.907	5.224

TRUSTS AND BEQUESTS

We administer 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** and available on our website **here**.

2019/20 Capital Fund £	2019/20 Revenue Fund £	2019/20 Total Funds £	Fund Balances	2020/21 Capital Fund £	2020/21 Revenue Fund £	2020/21 Total Funds £
34,020.91	**266,866.07**	**300,886.98**	**Opening Balances at 1 April 2020**	**32,990.91**	**169,836.61**	**202,827.52**
(1,030.00)	(99,778.12)	**(100,808.12)**	Expenditure	-	(26,964.00)	**(26,964.00)**
-	2,748.66	**2,748.66**	Income	-	337.42	**337.42**
(1,030.00)	**(97,029.46)**	**(98,059.46)**	**(Deficit)**	**-**	**(26,626.58)**	**(26,626.58)**
32,990.91	**169,836.61**	**202,827.52**	**Closing Balance at 31 March 2021**	**32,990.91**	**143,210.03**	**176,200.94**

2019/20 £	Balance Sheet as at 1 April 2020	2020/21 £
-	Investments - External	-
202,827.52	Investments - Loans Fund	176,200.94
202,827.52		**176,200.94**
	Financed By:	
32,990.91	Capital Funds	32,990.91
169,836.61	Revenue Funds	143,210.03
202,827.52	**Closing Balance at 31 March 2021**	**176,200.94**

Name	Origin and Purpose	Loans Fund £	External Investment £	Total £
Archibald Taylor Fund (SC019308)	To provide special nursing or convalescent treatment or a holiday during convalescence	140,651.83	-	140,651.83
Miss Annie Smith Mair Bequest (SC021095)	To assist persons from Newmilns and Greenholm	33,732.81	-	33,732.81
Mrs E McWhirter Trust (SC025073)	To maintain burial grounds at Dalmellington	1,816.30	-	1,816.30
		176,200.94	**-**	**176,200.94**

We also administer 33 Trusts not registered with OSCR with total assets at 31 March 2021 of £180,570.
The combined income of these Trusts in 2020/21 was £318, no expenditure was incurred in the year.

INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of East Ayrshire Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analysis and note to Expenditure and Funding Analysis, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Account, the Common Good Account, Trusts and Bequests, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 5 years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Material uncertainty relating to valuation of Retail and Leisure property assets, and property assets valued on a Depreciated Replacement Cost basis

We draw attention to note 31, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's Retail and Leisure property assets, and property assets valued on a Depreciated Replacement Cost basis. As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the value of the Retail and Leisure property assets, and property assets valued on a Depreciated Replacement Cost basis at the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Risks of material misstatement

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

Responsibilities of the Chief Financial Officer and Head of Finance & ICT and East Ayrshire Council for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Local Government (Scotland) Act 1973, the Local Authority

  Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003 and the Public Bodies (Joint Working) Scotland Act 2014.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

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

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

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

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

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

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

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

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

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

110 Queen Street

Glasgow

G1 3BX

United Kingdom

30 September 2021

GLOSSARY OF TERMS

GLOSSARY OF TERMS

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

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

Actuarial Gains and Losses (Pensions). The changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses) or the actuarial assumptions have changed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Book Value. The amount at which non current assets are included in the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Usable Reserve. Those reserves which the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

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