

EAST AYRSHIRE COUNCIL

ANNUAL

ACCOUNTS

2021/22



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All images used in our Annual Accounts this year have been taken from our 'Clean Green East Ayrshire Climate Change Strategy'.



MANAGEMENT COMMENTARY

# MANAGEMENT COMMENTARY

Welcome to the Annual Accounts for East Ayrshire Council and its group for the year ended 31 March 2022. This management commentary is designed to help users of our Annual Accounts understand and assess our financial performance during 2021/22. It outlines our approach to some of the challenges and risks we face as we continue to deliver positive outcomes for our communities whilst maintaining sound financial stability. This has never been more important as we continue to move forward into Covid-19 recovery.

2021/22 was an extremely challenging year, a year when we saw the continuation of the pressures and challenges of Covid-19, lessened to some extent by the removal of restrictions and the early signs of recovery, only for these to be thwarted by the new and emerging pressures around increased inflation, higher prices and the cost of living crisis.

Council services continued to see operational and financial pressures which led to extra costs and a reduction in income levels and, while our services managed these pressures, our Cabinet was proactive and took early action to bolster budgets by £2m to help offset some of the challenges from the pandemic and support our recovery and renewal plans.

The arrival of the Omicron variant of the virus led to further changes in service delivery especially in Education and in Social Care with supports to young people and residents delivered differently and at pace to protect and safeguard individuals and limit the transmission of the variant.

Towards the end of the year as restrictions were easing we began to learn to live with the virus and emerge to a different landscape where recovery and renewal plans were implemented shaping the Council for the years ahead.

It was a year when the Council did not stand still and instead recognised the new challenges that lay ahead for the individuals, families and businesses across East Ayrshire and which saw the Council implement strategies to counter the real risks that materialised particularly around jobs and work for the young people in our communities. When the Council met in February 2022 it agreed the largest ever single financial allocation to support community wealth-building and local jobs and training by creating 200 apprenticeship placements for young people and residents of East Ayrshire to provide skills, learning and accreditation, put money into people's pockets and prepare the apprentices for the world of work.

Looking ahead, our update to the Medium Term Financial Plan (MTFP), published as part of the Council's February 2022 Budget documents, highlighted a budget gap of £57m through to 2027 and our MTFP will be updated further to reflect the recent Resource Spending Review published by the Scottish Government in May 2022. It is extremely likely that the budget gap will increase to reflect the assumptions and grant funding projections contained within the Government's Spending Review.

The Council's Financial Strategy for 2022 – 2027 was presented to Council in October 2022 and will set out the plans and actions that the Council will take to maintain sound financial management, deliver Best Value and ensure the financial sustainability of the Council going forward.

## ABOUT EAST AYRSHIRE



"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



### COUNCILLORS

32 *elected members*  
During 2021/22:  
14 SNP, 9 Labour, 6 Conservative, 2  
Independent, 1 Rubbish Party  
Following Scottish local government  
elections on 5th May 2022;  
14 SNP, 10 Labour, 4 Conservative, 3  
Independent, 1 Rubbish Party



### COUNCIL WORKFORCE

6,578  
Female 4,935 75%  
Male 1,643 25%



### BUDGETS

2021/22 Revenue Budget:  
£359.285m  
2021/22 Capital Budget:  
£84.222m



### LARGEST TOWNS

Kilmarnock population:  
46,034  
Cumnock population:  
8,558



### POPULATION

Male: 48.5% Female: 51.5%  
Ages 0-15: 17%  
Ages 16-64: 62%  
Ages 65+: 21%



### ECONOMY

73.4%  
adults in employment  
3,220  
businesses operating across the area



### LAND AREA

490 *square miles*  
Urban Land: 3.5%  
Rural land: 96.5%



### INFRASTRUCTURE

299 council buildings  
12,023 council houses  
1,222.433 km of road network



### POVERTY & DEPRIVATION

22.7% datazones  
in the 0-15% SIMD 2020  
most deprived in East Ayrshire

# MANAGEMENT COMMENTARY

## 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:

- [Economy and Skills](#)
- [Safer Communities](#)
- [Wellbeing](#)



The most recent Community Plan review was undertaken during 2021/22 and the outcome of this review is reflected in the Community Plan Review Supplement and three new thematic Delivery Plans, all adopted in 2021, along with our new Local Outcomes Improvement Plan which, when taken together, set out our shared partnership priorities for the three year period 2021-2024.

As part of the review of the Community Plan concluded in 2021, Members of the Council and the Community Planning Partnership Board recognised the significance of the Ayrshire Growth Deal and the Caring for Ayrshire Transformational Change Programme. These have the potential to make a real difference in our communities in relation to our Covid-19 recovery and renewal activity and also in our wider, ongoing work to tackle poverty and inequality across our communities. We adopted these as shared high-level strategic priorities for the three-year period 2021-2024, representing the key, strategically important areas of activity to be supported with the potential to make a demonstrable positive impact on local outcomes for our communities.

# MANAGEMENT COMMENTARY

## 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 performance is reported annually 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 our LOIP Annual Report is available at: [www.eastayrshire.gov.uk](http://www.eastayrshire.gov.uk)

### 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

We compare our performance 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 (2020/21) was published in March 2022 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 2020/21, 50.0% of our LGBF indicators in East Ayrshire were in the top two quartiles. In addition, we have seen an improving longer term trend in 71.4% of performance indicators between 2010/11 and 2020/21, and improving/maintaining performance in 54.1% of indicators between 2019/20 and 2020/21. A copy of the 2020/21 LGBF Benchmarking Report can be accessed [here](#).

In 2020/21, some areas where our performance was among the top performing councils in Scotland include:



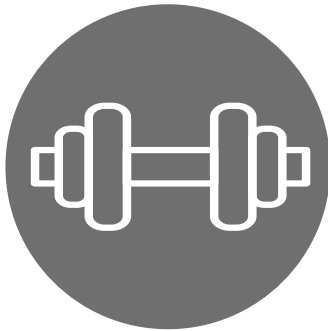
Percentage of council dwellings that are **energy efficient**



**Sickness absence** days per employee (non-teacher)



Cost of **parks and open spaces** per 1,000 population



Cost per attendance at **sports facilities**

We continue to take a targeted approach to improving our performance and recognise that there are a few areas for improvement including:



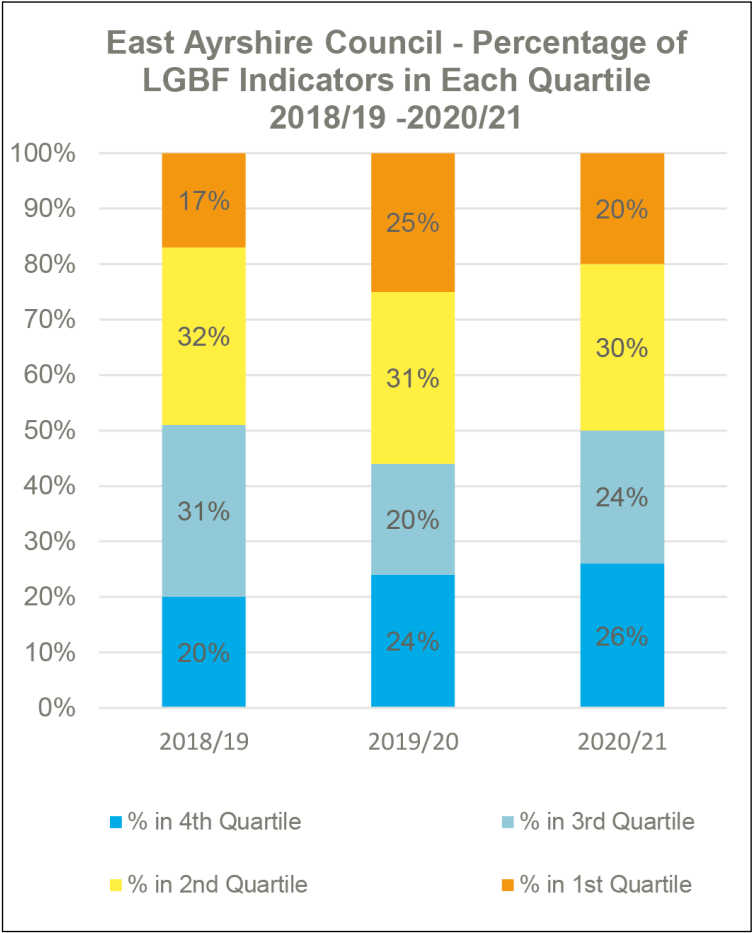
Percentage of income due from **Council Tax** received by the end of the year



Cost of **planning application** (adjusted for inflation)



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



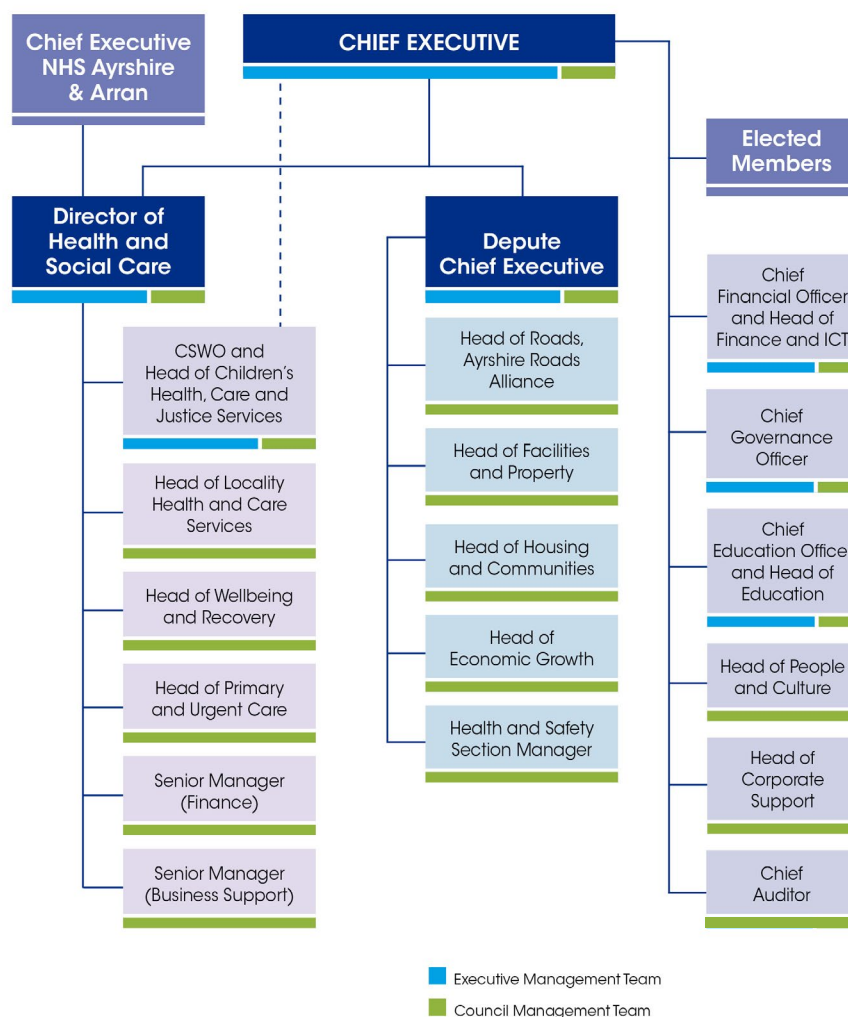
Performance is reported annually to the Council’s Governance and Scrutiny Committee, following review and extensive analysis of the national LGBF datasets. The report to Members is publicly accessible on our website and details our position in respect of the LGBF indicators against all the other Scottish councils and provides an opportunity to identify where we are performing well along with areas for improvement.

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>



## 2021/22 HIGHLIGHTS

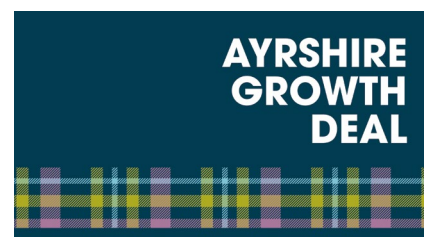
**Management Review:** the Council approved and implemented a new Management Structure on 24 June 2021 which realigned service reporting arrangements to take account of the current environment. The new structure supports the Council to deliver against its strategic priorities and future ambitions and further enhances accountability and governance arrangements and is set out below.

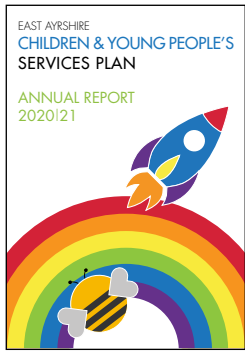


**Workforce Plan:** An update to the 2019-22 Workforce Plan including a 1 year plan for 2021/22 was provided to Cabinet in June 2021 and seeks to ensure that we have the right people in the right place at the right time with the correct skills, qualities, and behaviours to deliver the outcomes and objectives of the Council as set out in the Community Plan and our Transformation Strategy. The Workforce Plan sets out how the Council is supporting employees to develop the skills required to support the Council's period of organisational transformation.

During 2021/22 the Workforce Planning Board completed a pay and grading review, which was presented and agreed by Cabinet on 8 December 2021. The review ensures that the Local Government Scottish Living Wage is embedded within our current Pay and Grading structure, whilst at the same time exploring further potential future Pay and Grading Structure options to ensure that the model identified supports our organisational structure.

**Ayrshire Growth Deal:** The three Ayrshire Councils have continued to focus on the implementation of business cases through the Ayrshire Economic Joint Committee during 2021/22. The Ayrshire Growth Deal, Annual Report 2020/21 was agreed at the Ayrshire Economic Joint Committee (AEJC) on 28 February 2022 and published on the AEJC website on 1 March 2022. The annual report is a progress report of the Ayrshire Growth Deal Programme. The annual report noted that there has been significant progress on the implementation of the Ayrshire Growth Deal in 2020/21.



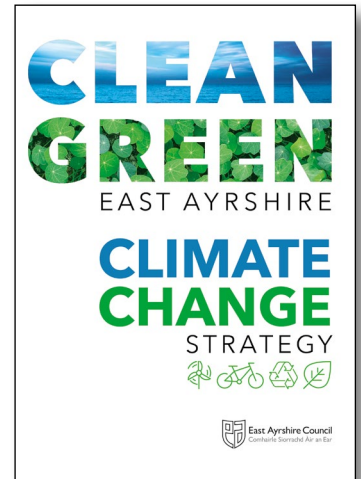


**The Children and Young People's Service Plan 2020-23** first annual review was approved by the East Ayrshire Integrated Joint Board in August 2021. The report celebrates the achievements of local children, young people, families and carers and their contributions to East Ayrshire in 2020/21. The Annual Report was approved by the Children and Young People's Strategic Partnership on 28 July 2021.

**Council Strategic Plan 2022-27:** Council of 24 February 2022 approved the development of a new Council Strategic Plan for the period 2022-27 as the successor to the 2017-22 Transformation Strategy. The new Strategic Plan will align with the Community Plan, build on the Council's pandemic recovery and renewal work and ensure that going forward, transformation is embedded in the delivery of council services.

**Climate Change:** In recognition of the Global Climate Change emergency, we agreed to join the UK100 and endorse their Net Zero Local Leadership Pledge. This commits us to the aim of reducing our own carbon emissions to Net Zero by 2030 and to work with our residents and businesses to bring our wider communities' emissions in line with Net Zero as soon as possible and by 2045 at the latest.

To further develop our local Climate Change response, an extensive programme of engagement, timed to coincide with COP26, was undertaken with our young people, communities, businesses and employees on our Climate Change Strategy. The outcome of this engagement activity was reported to Cabinet on 23 February 2022 as part of our 2022/23 Budget and led to the establishment of a £1m Climate Change Investment Fund. The report set out a range of additional actions which will be implemented in response to the feedback and aims to accelerate our progress towards net zero, including the allocation of £5m capital funding to support infrastructure investment in climate change related projects.



## EXTERNAL VALIDATION

Our performance is subject to scrutiny by a range of external audit and inspection agencies, which provide assurance that our services are well managed, fit for purpose, value for money and, 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 2021/22 include the following:

- **IESE 2022 Working Together Award - East Ayrshire Digital Access Network**
- **APSE Service Awards 2021 - Best Service Team - Facilities Management and Building Cleaning - East Ayrshire Council**
- **Scottish Property Awards 2022 - Best Regeneration Project - HALO Kilmarnock**
- **Scotland Loves Local Awards 2021 - Judges Special Award - EA Gift Card (East Ayrshire Council and Kilmarnock Business Association)**
- **Scottish Fair Trades Award 2021 - Fair Trade and Sustainability Award - Kilmarnock Academy (S6)**
- **LGIU Scotland Awards 2021 - Councillor Award (Champion for Education) - Councillor Claire Leitch**
- **Highways Award 2021 - Best use of new technology in the Highways Industry - ARA (Loans to Troon active travel corridor)**
- **Chartered Institute of Housing Awards 2021 - Working in Partnership Award - East Ayrshire Federation of Tenants and Residents/ East Ayrshire Council (Tenancy Agreement video).**



## 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 at key times throughout the year and are available on our website. Our management accounting arrangements are aligned with our management structure.

Our Outturn East Ayrshire Performs report presented to Cabinet on 15 June 2022 showed a net online position at our year end for the General Fund with a £2.256m underspend in the Housing Revenue Account. 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
<b>Reduction/(Increase) in Uncommitted General Fund/HRA Balance (EAC Performs Outturn)</b>	-	(2.256)	(2.256)
Adjust for:			-
Utilisation of previous years balances	16.163	-	16.163
Proposed earmarked balances within the year	(17.496)	-	(17.496)
<b>Movement in Balance shown in Annual Accounts (MiRS)</b>	<b>(1.333)</b>	<b>(2.256)</b>	<b>(3.589)</b>
<b>Add accounting adjustments that don't feature in the EAC Performs Outturn report</b>			
Depreciation	25.093	12.233	37.326
Impairment	9.342	1.237	10.579
Amortisation	0.237	-	0.237
Capital Grants and Contributions Applied	(13.478)	(6.503)	(19.981)
CFCR	(0.053)	(3.933)	(3.986)
Net (Loss)/Gain on Disposal of Assets	(0.158)	(0.907)	(1.065)
Pension Adjustment	34.448	4.444	38.892
Repayment of Debt	(12.352)	(3.694)	(16.046)
Other Adjustments	(1.087)	(0.179)	(1.266)
Transfers to Capital Fund	(1.244)	-	(1.244)
Transfers from Other Statutory Reserves	(0.154)	-	(0.154)
Interest on Revenue Balances	(0.041)	-	(0.041)
<b>Total adjustments excluded from EAC Performs Outturn</b>	<b>40.553</b>	<b>2.698</b>	<b>43.251</b>
<b>(Surplus)/ Deficit on the Provision of Services (CIES)</b>	<b>39.220</b>	<b>0.442</b>	<b>39.662</b>

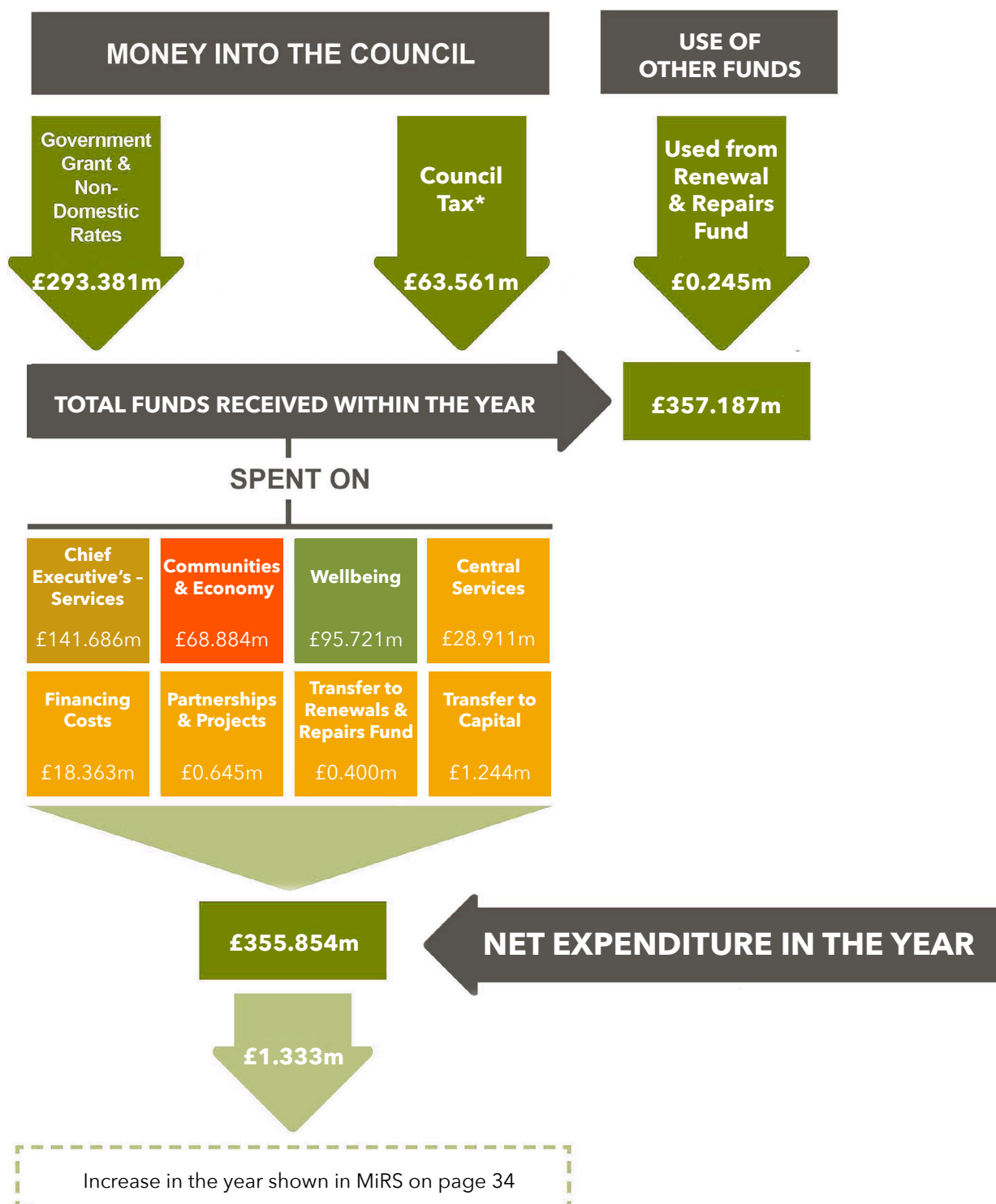
### Covid-19 Funding

During the year we continued to receive additional funding from the Scottish Government to help offset the ongoing impact of Covid-19 on our communities, local businesses and individuals most in need. These grants can be split into two main pots. Firstly, funding to make payments on behalf of the Scottish Government to our local businesses who have been required to close or operate under restricted conditions. 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.

The second element of funding received throughout 2021/22 related to grants to fund some of the continuing pressures directly experienced by the Council as we continue to progress through and beyond the pandemic. These included service specific funding for Education recovery, payments to individuals and families in our communities experiencing financial hardship and discretionary grants to support recovery. £15.497m of this funding was received during the year with £1.563m unspent at the year end to be retained as earmarked balances for utilisation in 2022/23.

## General Fund Revenue Expenditure

The MiRS on page 34 shows an increase of £1.333m within the year and actual income and expenditure is shown below. During the year a net £0.155m was transferred to the Renewal and Repairs Fund and £1.244m transferred to the Capital Fund.



\*The CIES on page 36 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 highlighted above.



## 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) provides a link between our budget management reports and the figures in the CIES. The table below provides a link between our management reporting to the first column of the EFA on page 32 and to the CIES on page 36.

East Ayrshire Performs				Building the EFA				EFA Segment	EFA Column 1
2021/22	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		Net Expenditure chargeable to the General Fund & HRA Balances
	£m	£m	£m	£m	£m	£m	£m		£m
Education	129.053	125.522	(3.531)	125.522	(17.390)	-	108.132	Education	108.132
Finance and ICT	8.909	7.885	(1.024)	7.885		-	7.885	Finance and ICT	7.885
People and Culture	2.874	2.661	(0.213)	2.661		-	2.661	People and Culture	2.661
Governance	5.877	4.806	(1.071)	4.806		-	4.806	Governance	4.806
Corporate Support	0.819	0.813	(0.006)	0.813		-	0.813	Corporate Support	0.813
Housing and Communities	17.472	16.662	(0.810)	16.662		-	16.662	Housing and Communities	16.662
Ayrshire Roads Alliance	12.411	11.892	(0.519)	11.892	(5.492)	-	6.400	Ayrshire Roads Alliance	6.400
Transport Services			-	-	5.492	-	5.492	Transport (incl SPT)	7.692
SPT	2.200	2.200	-	2.200		-	2.200		
Facilities and Property Management	28.962	28.913	(0.049)	28.913		-	28.913	Facilities and Property Management	28.913
Economic Growth	3.891	3.519	(0.372)	3.519		-	3.519	Economic Growth	3.519
Arms Length Organisations	4.948	4.948	-	4.948		-	4.948	Arms Length Organisations	4.948
Health and Safety	0.320	0.319	(0.001)	0.319		-	0.319	Communities & Economy Other Segments	0.750
Emergency Planning	0.064	0.037	(0.027)	0.037		-	0.037		
Central Mgt Support Communities & Economy	0.372	0.394	0.022	0.394		-	0.394		
Children Families and CJS	21.148	20.047	(1.101)	20.047	(2.581)	-	17.466	Social Work: Provision of Services	84.344
Community Care	60.941	60.596	(0.345)	60.596		-	60.596		
Service Strategy	(5.843)	(6.000)	(0.157)	(6.000)		-	(6.000)		
Outwith Placements	4.965	4.553	(0.412)	4.553		-	4.553		
Public Protection	0.494	0.398	(0.096)	0.398		-	0.398		
Lead Partnership Services	0.663	0.667	0.004	0.667		-	0.667	Central Services	14.436
SG Funding for Covid Response & Recovery	12.931	-	(12.931)	-		-	-		
Premises Costs	0.422	0.422	-	0.422		-	0.422		
IHSC Debtor / Creditor to IJB	-	15.038	15.038	15.038		-	15.038	Chief Executive Office (incl Internal Audit)	0.572
Social Care Allocation from NHS	(8.796)	(8.796)	-	(8.796)		-	(8.796)		
Chief Executive Office (incl Internal Audit)	0.624	0.572	(0.052)	0.572		-	0.572	Central Services	14.436
Other Non Service Related Expenditure	24.563	15.097	(9.466)	15.097		-	15.097		
Insurance	2.619	2.295	(0.324)	2.295		-	2.295		
Financing Costs	19.607	18.363	(1.244)	18.363		(18.363)	-		
HB/ CT Benefit Subsidy	10.623	10.947	0.324	10.947		(9.651)	1.296	Central Services	14.436
Council Tax	(63.240)	(63.561)	(0.321)	(63.561)		63.017	(0.544)		
Government Funding	(284.767)	(284.585)	0.182	(284.585)	19.971	260.906	(3.708)		
Use of Balances	(15.871)	-	15.871	-		-	-	Central Services	14.436
Reserve Transfers (net position)	(0.245)	1.399	1.644	1.399		(1.399)	-		
Projects	0.990	0.645	(0.345)	0.645		-	0.645	Projects	0.645
Housing Revenue Account	-	(2.256)	(2.256)	(2.256)		-	(2.256)	Housing Revenue Account	(2.256)
<b>Net Cost of Services (EFA Column 1)</b>	<b>(0.000)</b>	<b>(3.588)</b>	<b>(3.588)</b>	<b>(3.588)</b>	<b>-</b>	<b>294.510</b>	<b>290.922</b>		<b>290.922</b>

**Note 1** The £17.390m and the £2.581m in Education and Children, Families and Criminal Justice Service reflect the Specific Grants for Early Learning and Childcare, Pupil Equity Funding, Gaelic and Criminal Justice.

**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.

## 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 34 shows an overall increase in the General Fund balance of £1.333m for the year with a closing balance of £57.016m which can be analysed as follows:

2020/21 Total £m	General Fund	Uncommitted Balance £m	Earmarked Balances £m	2021/22 Total £m
(7.270)	<i>Movement within the year</i>	-	(16.163)	(16.163)
26.861	Balance Used	-	17.496	17.496
-	Balance Added	(0.287)	0.287	-
	Reallocation			
	Balances Review/In Year Transfers			
<b>19.591</b>	<b>Total Increase / (Decrease) Shown in MiRS</b>	<b>(0.287)</b>	<b>1.620</b>	<b>1.333</b>
36.092	Balance brought forward	9.518	46.165	55.683
<b>55.683</b>	<b>Outturn Position (Total Balance shown in MiRS)</b>	<b>9.231</b>	<b>47.785</b>	<b>57.016</b>

When the Council set its budget for 2021/22 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 2022 the General Fund Uncommitted balance was £9.231m, representing 2.6% of net revenue 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 £0.150m was reallocated from earmarked balances to uncommitted balances, approved by Cabinet on 2 February 2022.

Service earmarked balances total £45.719m at the 31 March 2022, with £2.066m retained for transformation projects. Committed within service balances is £11.444m of Covid-19 funding, £1.866m Cost of Living funding, £1.772m for Affordable Housing, and £1.560m Pupil Equity Funding retained on behalf of schools. A [summary of the position across services at the year-end](#) was presented to Cabinet on 15 June 2022.

## Housing Revenue Account (HRA) Balance

At 31 March 2022 the HRA had a cumulative balance of £20.805m all of which is earmarked for commitments in future years with £10.894m identified for Housing Asset Management Framework, Strategic Housing Investment Plan and Housing Investment Programme initiatives. Movements on the HRA Reserves are as follows:

2020/21 Balance £m	Housing Revenue Account	2021/22 Balance £m
-	<i>Movement within the year</i>	-
4.639	Balance Used	2.256
	Balance Added	
<b>4.639</b>	<b>Total Increase Shown in MiRS</b>	<b>2.256</b>
13.910	Balance Brought Forward	18.549
<b>18.549</b>	<b>Outturn Position</b>	<b>20.805</b>

## Balance Sheet

The Balance Sheet on page 37 is a snapshot summary of our assets and liabilities at 31 March 2022 and explanatory notes are provided to support the numbers. We ended the year with a net worth of £375.877m with £946.032m of non-current assets spread across a range of plant, property, equipment and heritage assets and usable reserves of £99.000m.

## Our Capital Programme and Investment

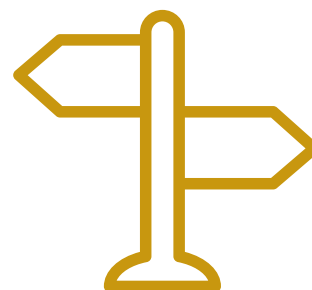
We recognise the importance to our communities of having access to attractive, modern and fit-for purpose facilities and continue to support an ambitious schools investment programme as part of our £324m General Services Capital Investment Programme and £183m investment in our houses through the Housing Revenue Account over the next 10 year period.



**Education £17.118m**



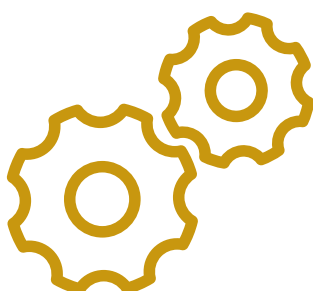
**Housing £17.722m**



**Roads £12.951m**



**Wellbeing £0.660m**



**Economic Regeneration  
& Development £3.050m**



**Other Expenditure  
£5.220m**

**Total Capital Investment 2021/22 £56.721m**

Funded by:



**Government Grants  
£19.981m**



**Borrowing  
£30.008m**



**Revenue  
£3.986m**



**Capital Receipts  
£2.746m**

**Total £56.721m**

During the year our total capital investment on General Fund services was £38.999m spent on developing and creating key assets for communities, including investment in roads, schools and business infrastructure. This was funded by £13.478m from government grants, £0.053m of revenue funding and borrowing of £25.468m.

A further £17.722m was spent on the Housing Capital Programme on building, improving and acquiring assets in 2021/22 including the creation of council houses in our town centres, delivering new homes and local regeneration. This capital investment programme was funded by £3.933m from current revenue, borrowing of £4.540m, the utilisation of capital receipts of £2.746m and government grants of £6.503m.

## Scheme Highlights

### Central Production Kitchen



We received Scottish Government funding for the construction of a bespoke Central Production Kitchen at the Rowallan Business Estate in Kilmarnock to provide meals for the wider educational estate including early years. The £2.100m project started on site in autumn 2020 but was delayed due to the contractor going into receivership. Work recommenced in February 2021 with the project completed in September 2021. The new facility provides cost efficiencies in terms of central meal preparation and enables consistent high quality standards that are difficult to replicate across multiple kitchens. It also results in a reduction of stock held in smaller production kitchens freeing up essential space for service delivery.

### Dunlop Early Childhood Centre



As part of the Scottish Government's 1140 hours expansion of early learning and childcare we were awarded grant funding for 29 projects ranging from new build Early Childhood Centres, to refurbishments, extensions and landscaping interventions.

We have now completed the majority of Early Years projects including three new build facilities with the fourth, Dunlop Early Childhood Centre, currently at RIBA Work Stage 4 - Technical Design with market testing underway. This £2.400m project has been designed using Scottish Futures Trust (SFT) area metrics and is based on pilot reference designs developed in conjunction with SFT and used at the previous new build facilities at Kilmaurs, Netherthird and Nether Robertland.



In line with the Council's Climate Change and Net Zero ambitions, the project is being designed using Passivhaus principles to achieve the highest standards of energy efficiency. Early enabling works are already underway on site and it is anticipated that construction works for the new Centre will commence in June 2022 with completion by June 2023.



## Loanhead Primary School and Early Childhood Centre



Works commenced on the £5.600m refurbishment and extension of Loanhead Primary School in September 2019 to provide upgraded education facilities including a new dining area along with a new Early Childhood Centre supporting the 1140 hours expansion. The project also included restoration of the existing historic building fabric and improved accessibility along with providing state of the art learning and teaching facilities and enhancement to external play areas. Following some delay due to the pandemic, the work was completed in April 2021 and the young people returned after the Easter break.

## Crosshouse Primary School and Communication Centre



Crosshouse Communication Centre provides dedicated educational facilities for young people with additional support needs accommodated within Crosshouse Primary School. The £6.800m project to upgrade and extend the facilities commenced on site in July 2021 and includes a two-storey extension which will house new integrated dining and gym facilities, five additional teaching spaces for both primary school and communication centre use and eight communication centre classrooms that will each have dedicated quiet rooms. The existing building is being completely refurbished and repurposed to provide an improved learning and teaching environment and externally the young people will benefit from a new running and cycling sport track, sports pitch and landscaped areas for outdoor learning and play. The work was completed in August 2022.

## Treasury Management and Investment

Our Treasury Management team manage the Council's cash flow, banking, money market and capital market transactions along with the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. Our 2021/22 Treasury Management Strategy was approved by 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.

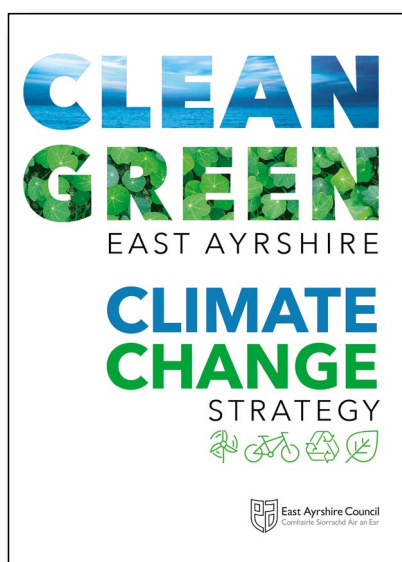
The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Treasury Management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, ensuring adequate liquidity prior to consideration of investment return. Concurrent to this, longer term cash flow planning to ensure the Council can meet its 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 Council risk or cost objectives.

Investment activity during the year included gross transactions totalling £1.129 billion, with 509 individual transactions with an average value of £2.218m. During the year new long-term borrowing of £25m was taken from the Public Works Loan Board at an average interest rate of 2.12%. In addition new short term borrowing of £35m at an interest rate of 0.44% was taken as replacement for similar debt which matured in year. This treasury activity provided financing for capital activity whilst also ensuring adequate short term financing in respect of day to transactional activity.

## Group Entities

The Council has an interest in a Common Good Fund, East Ayrshire Leisure Trust, East Ayrshire Integration Joint Board, Strathclyde Passenger for Transport, Strathclyde Concessionary Travel Scheme Joint Committee and the Ayrshire Valuation Joint Board. As such, Group Statements require to be produced to show the financial position of the group as a collective, compared to the Council's individual financial position. The Deficit on the Provision of Services for the group for 2021/22 is £30.728m (EAC £39.662m) with Net Assets of £427.420m (EAC £375.877m). Further details on the group can be found in the Notes to the Group Entities.

# CLIMATE CHANGE STRATEGY AND ACTION PLAN



We approved our first Climate Change Strategy and associated Action Plan on 24 June 2021 and this set out the ambition and direction of travel for the Council over the next 10 years to support local, national and international action on climate change and promote behaviour changes that we can all make to reduce our carbon footprint. Structured around the four key themes of Energy, Transport, Waste and Natural Environment, our Strategy recognises the challenges and potential benefits of moving away from fossil fuels in terms of economic and wellbeing opportunities and sets out a range of actions which seek to ensure a just transition as we move towards net zero.

These are reflected in our vision for a clean, green East Ayrshire:

*East Ayrshire will be a low carbon place with a thriving and diverse environment. We will have strong, healthy, resilient and vibrant communities that benefit from high quality places, multi-functional green spaces and access to high quality services that are well located to maximise sustainable travel choices. Our economy will have recovered and be fairer, greener and more inclusive, with all East Ayrshire citizens able to benefit from greater economic opportunities.*



Community Renewable Energy Project

**CoRE - The Community Renewable Energy (CoRE) Project** is our flagship response to climate change in East Ayrshire. Working closely with both the private sector and our partners at the University of Strathclyde and centred around the Cumnock area, this initiative will place East Ayrshire at the very centre of innovation and development of the new approaches and technologies that are needed locally to make the move to net zero, while also supporting the wider climate change

aspirations for Scotland and the UK. Comprising a programme of Demonstrator Projects, CoRE has funding of £17m from the UK Government, together with £7.5m allocated by East Ayrshire Council as part of the Ayrshire Growth Deal. The projects will combine academic and commercial expertise, local resources and new and emerging technologies to move the area into a low carbon future. CoRE will include a Centre of Excellence in Cumnock and various developments linked to energy research and generation at different locations around the local area, including former mining sites.

The overall aim is to create sustainable jobs which protect the natural environment while boosting inclusive growth. Working on a low cost energy network and supply, CoRE will also develop a comprehensive plan to help reduce fuel poverty in our communities within the Cumnock area. Further details can be accessed [here](#).

**Food Waste** - Disposal of residential and commercial waste now accounts for the greatest proportion of East Ayrshire's Carbon Footprint (42%). We also know, that despite offering a weekly food waste recycling collection that around 40% of the waste sent to landfill is food waste. To address this, we have commenced a food waste campaign, which is intended to educate and encourage the required behaviour change within individual households and businesses. Funding has now been secured for the second phase of this campaign which will use data from our refuse collection vehicles to specifically target and encourage greater levels of food waste recycling in individual communities and households.

**Active Travel** - We are investing in infrastructure around our schools, through our Safer Streets Initiative, which restricts vehicle access and encourages our children and young people to choose active means of travel to and from their school. This will be supported by behaviour change campaigns within all of our schools and by a wider £17m infrastructure investment in the Kilmarnock Infinity Loop, a 26km figure of eight network of cycle route and pathways around the town, which will provide connections between different communities on the outskirts of the town.

**Communication and Carbon Awareness Training** - To support the behavioural change required to meet our vision, we are also investing in our Climate Change Communications and developing bespoke Carbon Awareness training for our workforce, communities and businesses.



**Children and Young People** - have been at the forefront of leading our fight against climate change and were instrumental in developing our Climate Change Strategy. Following another successful Children and Young People's Climate Conference on 21 October 2021 which was attended online by over 700 children and young people we have now launched our Clean Green Schools Awards, which will ask all of our schools to develop their own Climate Change Action Plans. Our aim is for our schools to be at the very heart of our response to climate change and for our young people to encourage and promote behavioural change in their homes, schools and communities.

Resourcing our net zero aspirations, particularly in relation to the cost of decarbonising our existing estate and large vehicle fleet remains our most significant challenge. The cost of many new technologies remains prohibitive and whilst we are keen to lead the way in terms of delivery of net zero, this remains our greatest challenge to achieving our 2030 target. We continue to lobby both the Scottish and Westminster Governments for the necessary funding required to decarbonise both our activities and our wider community emissions.

## **METRICS & TARGETS AND REPORTING**

Performance on our carbon emissions is reported annually to Cabinet in November to allow submission of the annual Climate Change Public Sector Report to the Scottish Government in line with statutory deadlines. Details of our latest report can be accessed [here](#).

During 2020/21 our emissions totalled 33,832 tCO<sub>2</sub>e, which despite good progress across a number of key work streams on our carbon consumption, was an increase of 1,882 tCO<sub>2</sub> on our overall emissions. This was primarily due to increased energy consumption and significant increases in residential waste during the pandemic and also due to changes in the methodology, conversion factors and weighting applied to several reportable elements and in particular increases associated with waste to landfill. We are committed to reducing our own carbon emissions to Net Zero by 2030 and aim to bring our wider communities' emissions in line with Net Zero by 2045 at the latest.

## **OVERSIGHT AND GOVERNANCE**

In approving our Climate Change Strategy, Council appointed Councillor Claire Leitch, as Cabinet member for Children and Young People, Net Zero, Environment and Climate Change, Equalities and Inclusion to champion our net zero ambitions. Councillor Leitch also Chairs the Member Officer Working Group on Climate Change, which has been charged with maintaining oversight of our Climate Change Strategy and Action Plan and with developing appropriate reporting and monitoring arrangements to chart our progress against our carbon reduction targets. This includes regular reporting through East Ayrshire performs and the Annual Climate Change Declaration report. The Corporate responsibility for climate change rests with the Head of Facilities and Property Management.

## **RISK MANAGEMENT**

Climate Change has been included on our Council's Corporate Risk Register since September 2020, both in terms of achievement of our carbon reduction commitments and mitigation of the local impact of climate change. These risks are monitored, managed and mitigated by the Strategic Risk Officers Group and reported to Cabinet on a quarterly basis through East Ayrshire Performs.

In terms of the impact and management of future policy, all Committee reports now require to include an assessment of the potential risks and impact of the recommendations on the Council's Net Zero ambitions.



## 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
<p><b>Pandemic and associated lockdown measures.</b> 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.</p>	<p>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, 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 the impact of lockdown measures in. On 9 August 2021 Scotland moved out of the Covid-19 levels system although some protective measures remained in place and some restrictions were re-imposed in December 2021 due to the new Omicron variant of the virus. The restrictions have been lifted and since 30 April 2022 test sites closed and testing and contact tracing arrangements ended except for certain groups including health and social care workers. The Scottish Government strategic framework states that going forward they will rely less on legally imposed measures to control the virus and more on vaccines, treatments and good public health behaviours.</p>
<p><b>Economic Climate and Levels of Grant Funding.</b> Our outturn EAC Performs report shows we spent £12.904m responding to Covid-19 with the majority of this funded by Scottish Government grants.</p>	<p>Council on 24 February 2022 approved the 2022/23 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. The financial outlook for the years beyond 2022/23 highlighted in our Medium Term Financial Plan sees the Council's gap widen with a requirement to identify further efficiencies to balance the budget. We recognise that the volatility around inflation, energy costs and the cost of living will continue in the short term, however the Spending Review published by the Scottish Government in May 2022 provides details of multiple year grant settlements however the flat cash forecast for local government will provide further challenges. Further update and details to maintain our financial sustainability will be presented in the Financial Strategy to be brought to Council in the coming months.</p>

Risk and impact	Mitigation
<p><b>UK withdrawal from the European Union.</b> 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.</p> <p>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.</p>	<p>Whilst the EU Exit Withdrawal Agreement has been reached, issues remain including the impact on EU funded projects and how specifically, the UK Shared Prosperity Fund (SPF) 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. In November 2021, the UK Government confirmed that bids from 4 local projects submitted to the Community Renewal Fund had been successful.</p> <p>The UK Government recently published the allocation to each Council from the UK Shared Prosperity Fund. The allocation to East Ayrshire Council is £6.1m which will be weighted and paid incrementally over the years 2022/23 to 2024/25. Work is ongoing analysing the funding and preparing the economic plan that will accompany UK SPF spend in the months ahead. We will continue to monitor the transition from the EU funding to UK SPF and how specific projects, particularly those involving employability schemes continue since EU funding ends in December 2022.</p>
<p><b>Environmental Climate.</b> 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.</p>	<p>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 was approved in June 2021, supported by a Member, Officer and Young People's Working Group to set the Council's ambition and focus. Engagement activity has been undertaken during October and November with stakeholders on local policies, championing change, and to drive forward the action plan to protect the environment. A Climate Change update was presented to Cabinet in February as part of the Annual Budget and action towards net zero will be a key part of the Council's Strategic Plan. In addition 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.</p>

*These Annual Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).*

*The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022 amend The Local Authority Accounts (Scotland) Regulations 2014. The 2022 Regulations confirm the change to the audit completion deadline for local government 2021/22 Annual Accounts from 30 September to 30 November 2022. The publication date for the Annual Accounts is also amended from the 31 October to 15 December 2022. Both of these changes are for the 2021/22 financial year only. However for our Annual Accounts process we decided to continue to work to the previously planned timescale of 30 September 2022.*

## More Information

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

[www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk)

**Councillor Douglas Reid**  
Leader of the Council  
3 November 2022

**Eddie Fraser**  
Chief Executive  
3 November 2022

**Joseph McLachlan**  
Chief Financial Officer and  
Head of Finance & ICT  
3 November 2022



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;**
- **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 3 November 2022.

**Councillor Douglas Reid**

*Leader of the Council*

3 November 2022

## 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 2022.

**Joseph McLachlan CPFA**

*Chief Financial Officer and Head of Finance & ICT*

3 November 2022



# ANNUAL GOVERNANCE STATEMENT

## Introduction

This Annual Governance Statement has been prepared in the context of the Council's continuing response, recovery and renewal activity arising from the Covid-19 pandemic which has dominated the last 2 years. This has been directed and informed by the Scottish Government's Strategic Framework, which sets out how decisions continue to be taken to control coronavirus, while restoring a degree of normality to everyday life.

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

This Annual Governance Statement has also been informed by the CIPFA Guidance Bulletin 06 - 'Application of the Good Governance Framework'. This guidance concerns 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 CIPFA Financial Management Code 2019 introduced during 2020/21. 2021/22 is the first full year of compliance 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 have assessed our compliance with the FM Code and are satisfied that our governance and related processes meet the requirements of the Code.

## Scope of Responsibility

East Ayrshire Council is responsible for and fully committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in performance, while maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, equal opportunities and future sustainability.

In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements (known as the governance framework) for the governance of the Council's affairs and facilitating the effective exercise of its functions. This includes setting the strategic direction, vision, culture and values of the Council; the effective operation of corporate systems, processes and internal controls; engaging with and leading the community; monitoring whether strategic priorities and outcomes have been achieved; ensuring that services are delivered cost-effectively; maintaining appropriate arrangements for the management of risk; and ensuring that the Council complies with the Statement on the Role of the Chief Financial Officer in Local Government.

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 the Council's strategic priorities and outcomes; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, which direct and control the Council's activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic priorities and outcomes set out in the 2015-2030 East Ayrshire Community Plan, which the Council has adopted as its sovereign planning document and to consider whether those priorities and outcomes have led to the delivery of appropriate, cost-effective services. The governance framework was further strengthened during the year ended 31 March 2022 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 2015-30 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 the East Ayrshire Community Plan commenced in 2020/21 with the outcomes of the review presented and approved by the Council on 24 June 2021, including new three year thematic delivery plans and 2 new shared strategic priorities.

The Community Plan is underpinned by the Local Outcomes Improvement Plan (LOIP) which was also reviewed as part of the Community Plan review concluded in June 2021. The refreshed LOIP provides a robust performance management framework and demonstrates a sound understanding of place and local circumstances. This understanding has informed development of our local priorities which have been identified in consultation with our communities, partners and a wide range of key stakeholders; and we remain, as a partnership, committed to resourcing jointly the delivery of improved outcomes to realise our shared vision for East Ayrshire. The Community Plan and associated documentation can be accessed [here](#).

The Community Planning Partnership Board is supported by robust governance arrangements and a formal joint engagement event between the Council and CPP Board was held on 16 September 2021 to consider the Local Outcome Improvement Plan, Annual Performance Report, and the Integrated Health and Social Care Partnership Annual Report.

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.

Council on the 24 February 2022 agreed to the development of a new Council Strategic Plan for the period 2022-27 as the successor to the 2017-22 Transformation Strategy. The new Strategic Plan will align with the Community Plan, build on the Council's pandemic recovery and renewal work and ensure that going forward, transformation is embedded in the delivery of Council services.

The content of the Strategic Plan will be informed by the current context and drivers for change outlined within the approved report and will be underpinned by a Programme Management Office, Benefits Realisation approach, Council-wide Strategic Self-Assessment and a comprehensive programme of engagement.

Policy and decision making is conducted through the Council's 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 the Council's assurance statements are an accurate reflection of the current position, the internal audit function is effective and supported by committee and that risk management arrangements are considered effective.

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

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.

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

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.

Our approach to risk management is embedded within a Corporate Risk Register supported by Departmental Risk Registers. The Corporate Risk Register is presented periodically to Cabinet and the Governance and Scrutiny Committee as part of the East Ayrshire Performs reporting framework.

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. A detailed programme for Induction, Training and Development for new Elected Members following the Council elections in May 2022 is in place.

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 (2021-2024) were developed and approved by Cabinet on 25 August and 27 October 2021, these reflect the updated Community Plan, Local Outcome Improvement Plan, Transformation Strategy and Covid-19 Recovery and Renewal Plans.

The response to the 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 2021/22. 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 Council services during emergency situations. An ongoing review of our Business Continuity Plans continued during 2021/22, 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; its aim is to ensure that the Council continues to remain well placed to respond to and meet the requirements of Best Value. The next Strategic Self-Assessment is scheduled to be undertaken in 2022/23 as part of the development of the Council's next 5-year Strategic Plan.

## 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 and ICT 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 and the CIPFA FM Code.

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 was transferred to the Integration Joint Board with effect from 1 April 2015.

The Local Authority Accounts (Scotland) 2014 Regulations which came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. The long standing internal audit arrangements within East Ayrshire Council, managed by our Chief Auditor, 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 2021/22, 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, the Council's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is co-ordinated corporately and approved by the Executive Management Team, 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, all Chief Officers are required to make an annual statement confirming that this is the case.

The Council was the subject of detailed audit work under Audit Scotland's framework for auditing best value over December 2017 and January 2018. This audit activity, which was carried out jointly between Audit Scotland and the Council's external auditors, Deloitte LLP, culminated in the production and publication of the Council's Best Value Assurance Report (BVAR) in May 2018. The findings of this report are followed up annually by external audit as part of their audit work with conclusions contained within their Audit Dimensions and Best Value for the Year Ended 31 March 2022 report, presented to the Governance and Scrutiny Committee on the 16 June 2022, detailing that governance arrangements continue to be robust, open and transparent, demonstrating a culture of continuous improvement.

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 2021/22 the Internal Audit section 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, the Council's current external auditors reflect that review in their annual report with no issues arising to date noting their most recent report to the Governance & Scrutiny Committee in September 2021 confirmed the independence and competence of the internal audit team and had reviewed their work and findings. The conclusions helped inform Deloitte's audit work, with no specific reliance placed on the work of internal audit in line with external audit established practice. From Deloitte's review of the internal audit reports issued during 2020/21, they were satisfied that the conclusions had been considered as part of the disclosures in the Annual Governance Statement.

External Audit made a number of positive observations regarding the Internal Audit function and the work of the Governance & Scrutiny Committee including:

- **Follow up work conducted by the internal audit team demonstrated that progress has remained strong despite the impact of the Covid-19 pandemic.**
- **The arrangements for prevention and detection of fraud also remain robust, with a strong input from Internal Audit in response to the increased risks as a result of Covid-19 funding.**
- **The Council continues to exercise oversight and scrutiny of the HSCP's operations through receiving regular reports to the Cabinet as part of East Ayrshire Performs. The Governance and Scrutiny Committee also exercises oversight through the Council's internal audit which performs procedures on the HSCP's control environment.**
- **The Council considers Following the Public Pound (FtPP) as part of its annual review of Local Code of Corporate Governance, and compliance with FtPP is explicitly referenced within the annual internal audit opinion and annual internal audit plan. We are satisfied that through the use of Council systems and services and joint Committees, the Council has sufficient oversight of funding provided to the East Ayrshire Integration Joint Board, East Ayrshire Leisure Trust, Ayrshire Roads Alliance and the Strathclyde Partnership for Transport.**

During the last two years Councils were tasked with administering significant additional funds for Covid-19 grants on behalf of the Scottish Government who set anti-fraud obligations in each of the Covid grant award letters. The Scottish Government Head of Counter Fraud Profession met with the Chief Auditor and Audit Manager in March 2022 noting that anti-fraud arrangements at East Ayrshire Council were "impressive".

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 2022. This is consistent with the Chief Auditor's opinion in previous years.

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.

## **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 2021/22 highlighted those areas that could be further strengthened and these are contained within the Corporate Governance Improvement Action Plan for 2022/23 available [here](#).

Conclusion

We consider the governance and internal control environment operating during 2021/22, despite the continuing and challenging set 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 2022/23. Progress on implementing the Action Plan will be reported to the Governance and Scrutiny Committee in 2023 in accordance with our established arrangements.

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

Councillor Douglas Reid  
Leader of the Council  
3 November 2022

Eddie Fraser  
Chief Executive  
3 November 2022





# 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 37 presents more fully the income and expenditure under generally accepted accounting practices.

2020/21				2021/22		
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	
99.963	16.636	116.599	Education	108.132	23.438	131.570
8.889	2.331	11.220	Finance and ICT	7.884	2.553	10.437
2.207	0.354	2.561	People and Culture	2.661	0.405	3.066
5.344	0.997	6.341	Governance	4.806	1.422	6.228
1.220	0.195	1.415	Corporate Support	0.813	0.206	1.019
15.832	1.884	17.716	Housing and Communities	16.662	3.076	19.738
7.288	8.964	16.252	Ayrshire Roads Alliance	6.400	12.311	18.711
7.211	0.023	7.234	Transport (incl SPT)	7.692	0.062	7.754
26.772	(7.724)	19.048	Facilities and Property Management	28.913	(6.358)	22.555
2.719	5.058	7.777	Economic Growth	3.519	4.154	7.673
4.848	5.004	9.852	Arms Length Organisations	4.948	1.186	6.134
2.848	0.126	2.974	Communities and Economy Other Segments	0.750	0.101	0.851
(2.935)	5.708	2.773	Social Work: Provision of Services	(4.206)	12.094	7.888
82.043	-	82.043	Contribution to the IJB	88.550	-	88.550
0.626	0.083	0.709	Chief Executive Office (incl Internal Audit)	0.572	0.081	0.653
7.782	(1.095)	6.687	Central Services	14.437	(0.737)	13.700
1.056	-	1.056	Projects	0.645	-	0.645
(4.641)	8.803	4.162	Housing Revenue Account	(2.256)	4.535	2.279
269.072	47.347	316.419	Net Cost Of Services	290.922	58.529	349.451
(294.025)	(3.523)	(297.548)	Other Income and Expenditure	(295.950)	(13.839)	(309.789)
			Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or (Deficit) in the CIES			
(24.953)	43.824	18.871		(5.028)	44.690	39.662

		General Fund	HRA	Total
50.002	Opening Combined General Fund and HRA Balances	55.683	18.549	74.232
24.950	Surplus or (Deficit) on the General Fund and HRA Balances for the Year	2.772	2.256	5.028
(0.720)	Transfers (to) / from Other Reserves	(1.439)	-	(1.439)
<b>74.232</b>	<b>Closing Combined General Fund and HRA Balances</b>	<b>57.016</b>	<b>20.805</b>	<b>77.821</b>

# NOTE TO THE EFA

2020/21				Adjustments between Funding and Accounting Basis	2021/22			
EAC					EAC			
Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis		Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis
£m	£m	£m	£m		£m	£m	£m	£m
12.272	3.583	0.781	16.636	Education	15.514	8.428	(0.504)	23.438
1.110	1.209	0.012	2.331	Finance and ICT	1.123	1.437	(0.007)	2.553
-	0.354	-	0.354	People and Culture	-	0.405	-	0.405
0.051	0.923	0.023	0.997	Governance	0.062	1.372	(0.012)	1.422
-	0.195	-	0.195	Corporate Support	-	0.206	-	0.206
0.527	1.307	0.050	1.884	Housing and Communities	0.289	2.816	(0.029)	3.076
8.057	0.860	0.047	8.964	Ayrshire Roads Alliance	10.500	1.838	(0.027)	12.311
(0.123)	0.146	-	0.023	Transport (incl SPT)	(0.101)	0.163	-	0.062
(9.234)	1.508	0.002	(7.724)	Facilities and Property Management	(9.480)	3.124	(0.002)	(6.358)
4.755	0.282	0.021	5.058	Economic Growth	3.430	0.740	(0.016)	4.154
5.004	-	-	5.004	Arms Length Organisations	1.186	-	-	1.186
-	0.109	0.017	0.126	Communities and Economy Other Segments	-	0.107	(0.006)	0.101
0.529	4.923	0.257	5.709	Social Work: Provision of Services	0.601	11.652	(0.159)	12.094
-	-	-	-	Contribution to the IJB	-	-	-	-
-	0.083	-	0.083	Chief Executive Office (incl Internal Audit)	-	0.081	-	0.081
-	(1.858)	0.763	(1.095)	Central Services	-	(1.497)	0.760	(0.737)
-	-	-	-	Projects	-	-	-	-
7.650	1.831	(0.678)	8.803	Housing Revenue Account	1.330	4.017	(0.812)	4.535
30.598	15.455	1.295	47.348	Net Cost Of Services	24.454	34.889	(0.814)	58.529
(6.365)	3.300	(0.458)	(3.523)	Other Income and Expenditure	(17.390)	4.003	(0.452)	(13.839)
24.233	18.755	0.837	43.825	Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES	7.064	38.892	(1.266)	44.690

# 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.

2021/22	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
<b>Balance as at 1 April 2021</b>		55.683	18.549	3.076	3.501	16.436	97.245	251.384	(115.045)	233.584	10.251	27.082	270.917
Surplus/ (Deficit) on the Provision of Services	CIES	(39.220)	(0.442)	-	-	-	(39.662)	-	-	(39.662)	8.934	-	(30.728)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	25.366	156.589	181.955	-	5.276	187.231
<b>Total Comprehensive Income and Expenditure</b>		(39.220)	(0.442)	-	-	-	(39.662)	25.366	156.589	142.293	8.934	5.276	156.503
<b>Adjustments between Accounting Basis and Funding Basis Under Statute</b>													
Current and Past Service Pension Costs in Cost of Services	8	53.429	6.365	-	-	-	59.794	-	(59.794)	-	-	-	-
Net Interest on Net Defined Pension Liability	8	3.575	0.428	-	-	-	4.003	-	(4.003)	-	-	-	-
Employers Contributions to Pensions Fund	8	(22.556)	(2.349)	-	-	-	(24.905)	-	24.905	-	-	-	-
<b>Adjustments Relating to Pensions</b>		<b>34.448</b>	<b>4.444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38.892</b>	<b>-</b>	<b>(38.892)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation of Non-Current Assets	12	25.093	12.233	-	-	-	37.326	(8.763)	(28.563)	-	0.325	(0.325)	-
Impairment of Non-Current Assets	11	9.342	1.237	-	-	-	10.579	-	(10.579)	-	-	-	-
Amortisation of Intangible Assets	14	0.237	-	-	-	-	0.237	-	(0.237)	-	-	-	-
Capital Grants and Contributions Applied	5	(13.478)	(6.503)	-	(3.501)	-	(23.482)	-	23.482	-	-	-	-
Capital Grants and Contributions Unapplied		-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Debt	10	(12.352)	(3.694)	-	-	-	(16.046)	-	16.046	-	-	-	-
Capital Expenditure Funded in Year	10	(0.053)	(3.933)	-	-	-	(3.986)	-	3.986	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(2.746)	(2.746)	-	2.746	-	-	-	-
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.158)	(0.907)	-	-	2.974	1.909	-	(1.909)	-	-	-	-
<b>Adjustments Relating to Capital</b>		<b>8.631</b>	<b>(1.567)</b>	<b>-</b>	<b>(3.501)</b>	<b>0.228</b>	<b>3.791</b>	<b>(8.763)</b>	<b>4.972</b>	<b>-</b>	<b>0.325</b>	<b>(0.325)</b>	<b>-</b>
Differences relating to Officer Remuneration required by statute		(0.763)	(0.052)	-	-	-	(0.815)	-	0.815	-	-	-	-
Differences relating to Financial Instruments required by statute	22	(0.324)	(0.127)	-	-	-	(0.451)	-	0.451	-	-	-	-
<b>Adjustments for Other Items</b>		<b>(1.087)</b>	<b>(0.179)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.266)</b>	<b>-</b>	<b>1.266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase/ (Decrease) before Transfers</b>		<b>2.772</b>	<b>2.256</b>	<b>-</b>	<b>(3.501)</b>	<b>0.228</b>	<b>1.755</b>	<b>16.603</b>	<b>123.935</b>	<b>142.293</b>	<b>9.259</b>	<b>4.951</b>	<b>156.503</b>
Transfers to/ from Capital Fund		(1.244)	-	-	-	1.244	-	-	-	-	-	-	-
Transfers to/ from Other Statutory Reserves		(0.154)	-	0.154	-	-	-	-	-	-	(8.846)	8.846	-
Interest on Revenue Balances		(0.041)	-	0.007	-	0.034	-	-	-	-	-	-	-
<b>Increase/ (Decrease) in 2021/22</b>		<b>1.333</b>	<b>2.256</b>	<b>0.161</b>	<b>(3.501)</b>	<b>1.506</b>	<b>1.755</b>	<b>16.603</b>	<b>123.935</b>	<b>142.293</b>	<b>0.413</b>	<b>13.797</b>	<b>156.503</b>
<b>Balance as at 31 March 2022</b>		<b>57.016</b>	<b>20.805</b>	<b>3.237</b>	<b>-</b>	<b>17.942</b>	<b>99.000</b>	<b>267.987</b>	<b>8.890</b>	<b>375.877</b>	<b>10.664</b>	<b>40.879</b>	<b>427.420</b>

# MOVEMENT IN RESERVES STATEMENT

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
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)
<b>Total Comprehensive Income and Expenditure</b>		<b>(9.002)</b>	<b>(9.870)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18.872)</b>	<b>(2.234)</b>	<b>(35.085)</b>	<b>(56.191)</b>	<b>5.364</b>	<b>(0.381)</b>	<b>(51.208)</b>
<b>Adjustments between Accounting Basis and Funding Basis Under Statute</b>													
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	-	-	-	-
<b>Adjustments Relating to Pensions</b>		<b>16.594</b>	<b>2.161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.755</b>	<b>-</b>	<b>(18.755)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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)	-	-	-	-
<b>Adjustments Relating to Capital</b>		<b>11.834</b>	<b>12.396</b>	<b>-</b>	<b>-</b>	<b>0.813</b>	<b>25.043</b>	<b>(7.912)</b>	<b>(17.131)</b>	<b>-</b>	<b>0.315</b>	<b>(0.315)</b>	<b>-</b>
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	-	-	-	-
<b>Adjustments for Other Items</b>		<b>0.885</b>	<b>(0.048)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.837</b>	<b>-</b>	<b>(0.837)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase/ (Decrease) before Transfers</b>		<b>20.311</b>	<b>4.639</b>	<b>-</b>	<b>-</b>	<b>0.813</b>	<b>25.763</b>	<b>(10.146)</b>	<b>(71.808)</b>	<b>(56.191)</b>	<b>5.679</b>	<b>(0.696)</b>	<b>(51.208)</b>
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	-	-	-	-	-	-	-
<b>Increase/ (Decrease) in 2020/21</b>		<b>19.591</b>	<b>4.639</b>	<b>(0.041)</b>	<b>-</b>	<b>1.574</b>	<b>25.763</b>	<b>(10.146)</b>	<b>(71.808)</b>	<b>(56.191)</b>	<b>0.730</b>	<b>4.253</b>	<b>(51.208)</b>
<b>31 March 2021</b>		<b>55.683</b>	<b>18.549</b>	<b>3.076</b>	<b>3.501</b>	<b>16.436</b>	<b>97.245</b>	<b>251.384</b>	<b>(115.045)</b>	<b>233.584</b>	<b>10.251</b>	<b>27.082</b>	<b>270.917</b>



# 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.

2020/21					2021/22			
EAC			Group		EAC			Group
£m	£m	£m	£m		£m	£m	£m	£m
Exp	Income	Net	Net	Operating	Exp	Income	Net	Net
140.041	(23.442)	116.599	116.599	Education	155.983	(24.413)	131.570	131.570
12.245	(1.025)	11.220	11.220	Finance and ICT	11.461	(1.024)	10.437	10.437
2.648	(0.087)	2.561	2.561	People and Culture	3.157	(0.091)	3.066	3.066
8.233	(1.892)	6.341	6.341	Governance	8.643	(2.415)	6.228	6.228
1.481	(0.066)	1.415	1.415	Corporate Support	1.024	(0.005)	1.019	1.019
23.017	(5.301)	17.716	17.716	Housing and Communities	27.114	(7.376)	19.738	19.738
27.444	(11.192)	16.252	16.252	Ayrshire Roads Alliance	30.656	(11.945)	18.711	18.711
7.513	(0.279)	7.234	7.234	Transport (incl SPT)	8.171	(0.417)	7.754	7.754
29.530	(10.482)	19.048	19.048	Facilities and Property Management	33.170	(10.615)	22.555	22.555
9.154	(1.377)	7.777	7.777	Economic Growth	13.498	(5.825)	7.673	7.673
9.924	(0.072)	9.852	9.852	Arms Length Organisations	6.315	(0.181)	6.134	6.134
3.080	(0.106)	2.974	3.289	Communities and Economy Other Segments	0.921	(0.070)	0.851	1.176
131.294	(128.520)	2.774	2.774	Social Work: Provision of Services	146.511	(138.623)	7.888	7.888
82.043	-	82.043	82.043	Contribution to the IJB	88.550	-	88.550	88.550
0.713	(0.004)	0.709	0.709	Chief Executive Office (incl Internal Audit)	0.657	(0.004)	0.653	0.653
39.261	(32.574)	6.687	6.687	Central Services	40.563	(26.863)	13.700	13.700
5.427	(4.371)	1.056	1.056	Projects	4.662	(4.017)	0.645	0.645
49.636	(45.474)	4.162	4.162	Housing Revenue Account	48.582	(46.303)	2.279	2.279
<b>582.684</b>	<b>(266.264)</b>	<b>316.420</b>	<b>316.735</b>	<b>Net Cost Of Services</b>	<b>629.638</b>	<b>(280.187)</b>	<b>349.451</b>	<b>349.776</b>
		0.363	0.363	(Gains)/Losses on Disposals of Assets			(1.065)	(1.065)
		316.783	317.098	<b>Net Operating Expenditure</b>			348.386	348.711
	(52.577)	(52.577)		Income from Council Tax			(53.365)	(53.365)
	(241.635)	(241.635)		Government Grants (not service specific)			(243.356)	(243.356)
	(17.651)	(17.651)		Distribution from NDR Pool			(17.550)	(17.550)
	(11.230)	(11.230)		Capital Grants & Contributions	Note 5		(19.981)	(19.981)
	(323.093)	(323.093)		<b>Taxation &amp; Non Specific Grant Income</b>			(334.252)	(334.252)
	<b>(6.310)</b>	<b>(5.995)</b>		<b>Net Operating Costs</b>			<b>14.134</b>	<b>14.459</b>
				<b>Financing and Investment Income and Expenditure</b>				
	3.300	3.300		Net Interest on Net Defined Pension Liability	Note 8		4.003	4.003
	-	(5.678)		Share of Surplus on Provision of Services of Associates & Joint Ventures			-	(9.258)
	(0.147)	(0.148)		Interest and Investment Income	Note 22		(0.286)	(0.287)
	22.029	22.029		Interest Payable and Similar Charges			21.811	21.811
	<b>18.872</b>	<b>13.508</b>		<b>Deficit on the Provision of Services</b>			<b>39.662</b>	<b>30.728</b>
	2.234	2.199		(Surplus)/ Deficit on Revaluation of Non-Current Assets			(25.366)	(25.760)
	35.085	35.085		Remeasurement of the Net Defined Pension Benefit Liability (Asset)	Note 8		(156.589)	(156.589)
	-	0.416		Ventures			-	(4.882)
	<b>56.191</b>	<b>51.208</b>		<b>Total Comprehensive (Income)/Expenditure</b>			<b>(142.293)</b>	<b>(156.503)</b>

# BALANCE SHEET

This is a snapshot at 31 March 2022 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 2021				31 March 2022	
EAC	Group			EAC	Group
£m	£m			£m	£m
871.583	876.807	Property, Plant & Equipment	Note 12	903.875	909.168
41.543	41.543	Heritage Assets	Note 16	41.543	41.543
0.457	0.457	Intangible Assets	Note 14	0.221	0.221
-	32.829	Investments in Associates and Joint Ventures	Note 32	-	45.865
0.399	0.399	Non-Current Receivables (Long Term Investments)	Note 22	0.393	0.393
<b>913.982</b>	<b>952.035</b>	<b>Non-Current Assets</b>		<b>946.032</b>	<b>997.190</b>
0.021	0.405	Short Term Investments	Note 22	0.029	0.414
1.750	1.750	Inventories	Note 17	1.480	1.480
38.633	38.633	Debtors	Note 18	49.181	49.181
0.046	0.046	Assets Held for Sale	Note 15	0.025	0.025
32.341	32.341	Cash and Cash Equivalents	Note 19	32.072	32.072
<b>72.791</b>	<b>73.175</b>	<b>Current Assets</b>		<b>82.787</b>	<b>83.172</b>
(63.191)	(63.191)	Short Term Borrowing		(50.087)	(50.087)
(69.263)	(69.263)	Creditors (Including Grants Receipts in Advance)	Note 18	(78.298)	(78.298)
(6.507)	(6.507)	Provisions	Note 20	(12.512)	(12.512)
<b>(138.961)</b>	<b>(138.961)</b>	<b>Current Liabilities</b>		<b>(140.897)</b>	<b>(140.897)</b>
(183.017)	(183.017)	Pension Liabilities	Note 8	(65.320)	(65.320)
(88.974)	(88.974)	Other Long Term Liabilities	Note 22	(85.815)	(85.815)
(342.237)	(342.237)	Long Term Borrowing	Note 22	(360.910)	(360.910)
-	(1.104)	Liabilities in Associates and Joint Ventures	Note 32	-	-
<b>(614.228)</b>	<b>(615.332)</b>	<b>Non-Current Liabilities</b>		<b>(512.045)</b>	<b>(512.045)</b>
<b>233.584</b>	<b>270.917</b>	<b>Net Assets</b>		<b>375.877</b>	<b>427.420</b>
97.245	97.245	Usable Reserves (Available to Fund Services)	MIRS	99.000	99.000
-	10.251	Share of Usable Reserves of Associates and Joint Ventures		-	10.664
(115.045)	(115.045)	Unusable Statutory Adjustments Accounts	Note 25	8.890	8.890
251.384	251.384	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	Note 25	267.987	267.987
-	27.082	Share of Unusable Reserves of Associates and Joint Ventures		-	40.879
<b>233.584</b>	<b>270.917</b>	<b>Net Reserves</b>		<b>375.877</b>	<b>427.420</b>

## Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 29 June 2022 and the audited accounts were authorised for issue on 3 November 2022.

**Joseph McLachlan CPFA**  
*Chief Financial Officer and Head of Finance & ICT*  
 3 November 2022

# 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).

2020/21			2021/22	
EAC	Group		EAC	Group
£m	£m		£m	£m
18.872	13.508	<b>Deficit on the Provision of Services</b>	39.662	30.728
-	5.678	Deficit attributable to Associates and Joint Ventures	-	9.258
18.872	19.186	<b>(Surplus)/ Deficit on the Provision of Services</b>	39.662	39.986
		<b>Non Cash Items in the Comprehensive Income and Expenditure Statement</b>		
(52.521)	(52.836)	Depreciation and Impairment	(48.142)	(48.467)
(1.614)	(1.614)	Carrying Amount of Non-Current Assets Sold <i>Note 12</i>	(1.909)	(1.909)
(18.755)	(18.755)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations <i>Note 8</i>	(38.892)	(38.892)
0.021	0.021	EIR Stepped Loan Adjustment	0.022	0.022
(72.869)	(73.184)		(88.921)	(89.246)
		<b>Changes in Working Capital</b>		
0.270	0.270	Increase/ (Decrease) in Stock and Work in Progress <i>Note 17</i>	(0.269)	(0.269)
7.429	7.429	Increase/ (Decrease) in Debtors	10.095	10.095
(0.284)	(0.284)	Increase/ (Decrease) in Bad Debt Provision	0.453	0.453
(15.770)	(15.770)	(Increase)/ Decrease in Creditors	(14.996)	(14.996)
(8.355)	(8.355)		(4.717)	(4.717)
		<b>Adjustments for Items which are included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
0.012	0.012	Net Increase / (Decrease) in Short Term Deposits	(0.004)	(0.004)
11.230	11.230	Capital Grants Received	19.981	19.981
1.251	1.251	Sale of Non-Current Assets	2.974	2.974
12.493	12.493		22.951	22.951
(49.859)	(49.860)	<b>Net Cash Outflow/ (Inflow) from Operating Activities</b>	(31.025)	(31.026)
		<b>Investing Activities</b>		
52.376	52.376	<b>Cash Outflows:</b> Purchase of Non-Current Assets <i>Note 10</i>	56.721	56.721
-	0.001	Increase in Short Term Deposits	0.004	0.005
52.376	52.377		56.725	56.726
(1.251)	(1.251)	<b>Cash Inflows:</b> Sale of Non-Current Assets	(2.974)	(2.974)
(0.012)	(0.012)	Decrease in Short Term Deposits	-	-
(11.230)	(11.230)	Capital Grants Received <i>Note 5</i>	(19.981)	(19.981)
(12.493)	(12.493)		(22.955)	(22.955)
39.883	39.884	<b>Net Cash Outflow/ (Inflow) from Investing Activities</b>	33.770	33.771
		<b>Financing</b>		
	-	<b>Cash Outflows:</b> Repayments of Amounts Borrowed		-
3.045	3.045	Capital Element of Finance Lease Rental Payments	3.288	3.288
(2.944)	(2.944)	<b>Cash Inflows:</b> New Loans Raised	(5.764)	(5.764)
0.101	0.101	<b>Net Cash Outflow/ (Inflow) from Financing Activities</b>	(2.476)	(2.476)
(9.875)	(9.875)	<b>Net Increase/Decrease in Cash and Cash Equivalents</b>	0.269	0.269
22.466	22.466	<b>Cash and Cash Equivalents at the start of the reporting period</b> <i>Note 19</i>	32.341	32.341
32.341	32.341	<b>Cash and Cash Equivalents at the end of the reporting period</b> <i>Note 19</i>	32.072	32.072

Note to Cash Flow Statement - Included in Operating Activities is Interest paid in year of £21.440m; (2020/21, £21.699m) and Interest received in year £0.286m; (2020/21, £0.147m).





# 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 2021/22.

2020/21 £m	Expenditure and Income Analysed by Nature	2021/22 £m
<b>Expenditure</b>		
243.526	Employee Benefit Expenses	276.018
289.937	Other Service Expenses	309.481
52.521	Depreciation, Amortisation and Impairment	48.142
22.029	Interest Payable and Similar Charges	21.811
0.363	(Gain)/ Losses on Disposals of Assets	(1.065)
<b>608.376</b>	<b>Total Expenditure</b>	<b>654.387</b>
<b>Income</b>		
(266.264)	Fees, Charges and Other Service Income	(280.187)
(0.147)	Interest and Investment Income	(0.286)
(70.228)	Income from Council Tax and Non Domestic Rates	(70.915)
(252.865)	Government Grants and Contributions	(263.337)
<b>(589.504)</b>	<b>Total Income</b>	<b>(614.725)</b>
<b>18.872</b>	<b>Deficit on the Provision of Services</b>	<b>39.662</b>

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 2021/22 were £0.298m (2020/21 £0.292m). During 2021/22 fees of £0.026m were paid to Audit Scotland for additional services relating to the 2020/21 annual accounts.

## 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 £18.282m (2020/21 £17.688m) and paid over £17.856m (2020/21 £17.262m). We received £0.426m for providing this service (2020/21 £0.426m). We also act as agent on behalf of the Scottish Government collecting non-domestic rates. During 2021/22 we billed £21.518m (2020/21 £16.929m) on their behalf and we received £17.550m (2020/21 £17.651m) in Distributable income from the NonDomestic 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 £17.720m (2020/21 £33.976m).

## Note 4 – Material Items of Income and Expenditure

In 2021/22 we received additional grant funding of £33.217m (2020/21 £76m) from the Scottish Government in relation to the Covid-19 pandemic. £17.720m 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 2021/22 has been earmarked for use in future years.

## Note 5 – Grant Income

The following grants were credited to the CIES in 2021/22.

2020/21		2021/22
£m	Credited to Taxation and Non-Specific Grant Income	£m
241.635	Revenue Support Grant	243.356
17.651	Non-Domestic Rates	17.550
4.514	General Capital Grant	7.767
0.955	Council House Building Programme	6.503
5.761	Other Capital Grants	5.711
<b>270.516</b>	<b>Total</b>	<b>280.887</b>
£m	Credited to Services/ IJB	£m
28.352	DWP Housing Benefits	26.730
21.596	NHS Resource Transfer	35.012
7.239	Scottish Attainment Challenge	8.010
3.157	William McIlvanney Campus	3.161
2.717	Criminal Justice Grant	2.581
11.833	Scottish Government - Early Learning & Childcare	13.045
3.180	Coal Restoration	0.531
0.389	Crossroads Hub	-
1.310	Home Energy Efficiency Programmes Scotland (HEEPS) Grants	1.966
0.657	Private Sector Housing Grant	0.931
0.553	DWP Benefits Administration Grants	0.519
0.429	Education Maintenance Allowance	0.369
-	Dean Castle Restoration	2.142
0.522	Syrian Resettlement Programme	0.172
0.515	European Social Fund Grants	0.496
3.806	Ayrshire Growth Deal	-
0.752	Parks for the People	-
0.166	Skills Development Scotland Skillseeker Grant	0.219
0.193	Town Centre Regeneration	4.780
-	Levelling Up and Community Renewal	0.375
0.444	Various Minor Social Work Grants	1.309
0.789	Various Minor Chief Executive's Services Grants	1.938
1.253	Various Minor Communities and Economy Grants	1.860
4.286	Covid-19 Service Grants	0.391
<b>94.138</b>	<b>Total</b>	<b>106.537</b>

## 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 2022/23	5.562	1.775	3.839	11.176
Payable within 2 to 5 years	20.686	9.942	16.292	46.920
Payable within 6 to 10 years	32.149	13.171	18.873	64.193
Payable within 11 to 15 years	29.969	20.758	21.119	71.846
Payable within 16 to 20 years	6.714	5.370	4.603	16.687
<b>Total</b>	<b>95.080</b>	<b>51.016</b>	<b>64.726</b>	<b>210.822</b>

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

2020/21	2021/22
£m	£m
<b>54.661 Balance outstanding at start of year</b>	<b>52.925</b>
(1.736) Payments during the year	(1.909)
<b>52.925 Balance outstanding at year-end</b>	<b>51.016</b>

**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 2022/23	0.584	1.384	2.048	4.016
Payable within 2 to 5 years	2.921	5.936	7.502	16.359
Payable within 6 to 10 years	6.182	7.631	7.355	21.168
Payable within 11 to 15 years	8.146	9.053	4.865	22.064
Payable within 16 to 20 years	9.830	11.253	1.995	23.078
Payable within 21 to 25 years	1.977	2.701	0.058	4.736
<b>Total</b>	<b>29.640</b>	<b>37.958</b>	<b>23.823</b>	<b>91.421</b>

2020/21	2021/22
£m	£m
<b>40.648 Balance outstanding at start of year</b>	<b>39.338</b>
(1.310) Payments during the year	(1.380)
<b>39.338 Balance outstanding at year-end</b>	<b>37.958</b>

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 £0.490m (£0.392m in 2020/21).

**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 £1.137m (£0.867m in 2020/21).

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

31 March 2021			31 March 2022	
Council as Lessee	Council as Lessor		Council as Lessee	Council as Lessor
£m	£m		£m	£m
0.394	0.756	Not later than 1 year	0.427	1.086
0.431	2.118	Later than 1 year and not later than 5 years	0.304	3.327
0.057	5.523	Later than 5 years	0.056	8.073
<b>0.882</b>	<b>8.397</b>	<b>Total</b>	<b>0.787</b>	<b>12.486</b>

The International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016, replacing the current guidance in International Accounting Standard IAS 17 on leases. The implementation of IFRS16 was due to be applied by the Code from 1 April 2022, however has been deferred to be effective from 1 April 2024 and will be included in the 2024/25 Code.

## 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.

2020/21 £m	Local Government Pension Scheme <b>Comprehensive Income and Expenditure Statement (CIES)</b>	2021/22 £m
	<i>Cost of Services:</i>	
38.274	Current service costs	58.215
1.055	Past service costs (including curtailments)	1.579
	<i>Financing and Investing Income and Expenditure:</i>	
3.300	Net Interest Expense	4.003
42.629	Total Post Employment Benefit Charged to Surplus or Deficit on Provision of Services	63.797
	<i>Other Post Employment Benefit Charged to the CIES:</i>	
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
(199.302)	Return on pension fund assets	(60.891)
(28.318)	Actuarial (gains) arising on changes in demographic assumptions	(7.986)
260.711	Actuarial (gains) or losses arising on changes in financial assumptions	(89.916)
1.994	Actuarial losses arising from other experience	2.204
77.714	Total Post Employment Benefit Charged to the CIES	(92.792)
	<b>Movement in Reserves Statement (MiRS)</b>	
(18.755)	Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post employment benefits in line with the Code	(38.892)
23.874	<b>Employers' contributions payable to Strathclyde Pension Fund</b>	<b>24.905</b>

2020/21 £m		2021/22 £m
(1,251.904)	Present Value of The Defined Benefit Obligation	(1,220.350)
1,068.887	Fair Value of Pension Fund Assets	1,155.030
<b>(183.017)</b>	<b>Net Liability arising from Defined Benefit Obligation</b>	<b>(65.320)</b>
(20.918)	Unfunded liabilities for Pension Fund	(20.601)
(25.234)	Teachers unfunded pensions	(23.203)
(6.405)	Unfunded liabilities prior to 1996 local government reorganisation	(5.467)

2020/21 £m		2021/22 £m
<b>(1,003.209)</b>	<b>Opening balance at 1 April</b>	<b>(1,251.904)</b>
(38.274)	Current Service Cost	(58.215)
(23.428)	Interest Cost	(25.419)
(6.342)	Contributions from scheme Participants	(6.698)
	Re-measurement gains and (losses)	
28.318	Actuarial gains from changes in demographic assumptions	7.986
(260.711)	Actuarial gains or (losses) from changes in financial assumptions	89.916
24.829	Actuarial gains or (losses) from other experience	(2.204)
(1.055)	Past service cost	(1.579)
27.968	Benefits Paid	27.767
<b>(1,251.904)</b>	<b>Closing Balance at 31 March</b>	<b>(1,220.350)</b>

2020/21 £m		2021/22 £m
<b>874.032</b>	<b>Opening Fair Value of Pension Fund Assets</b>	<b>1,068.887</b>
20.128	Interest Income	21.416
(26.823)	Re-measurement gains and (losses)	-
199.302	Return on pension fund assets	60.891
23.874	Contributions from employers	24.905
6.342	Contributions from employees into the scheme	6.698
(27.968)	Benefits Paid (including settlements)	(27.767)
<b>1,068.887</b>	<b>Closing Balance at 31 March</b>	<b>1,155.030</b>



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

Asset Category	2021/22				2020/21			
	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	253.952	0.550	254.502	22%	249.647	1.149	250.796	25%
Private Equity	-	226.113	226.113	20%	-	191.182	191.182	18%
Real Estate	-	97.408	97.408	8%	-	86.603	86.603	8%
Investment Funds and Unit Trusts	6.408	541.209	547.617	47%	10.059	512.110	522.169	47%
Derivatives	-	-	-	0%	0.193	-	0.193	0%
Cash & Cash Equivalents	29.000	0.390	29.390	3%	17.220	0.724	17.944	2%
<b>Closing balance at 31 March</b>	<b>289.360</b>	<b>865.670</b>	<b>1,155.030</b>	<b>100%</b>	<b>277.119</b>	<b>791.768</b>	<b>1,068.887</b>	<b>100%</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed based on the latest full valuation of the scheme as at 31 March 2022.

Local Government Pension Scheme	2021/22	2020/21
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
Men	19.6	19.8
Women	22.4	22.6
Longevity at 65 for future pensioners:		
Men	21.0	21.2
Women	24.5	24.7
Rate of inflation (RPI)	3.7%	3.3%
Rate of inflation (CPI)	3.2%	2.9%
Rate of increase in salaries	3.9%	3.6%
Rate of increase in pensions	3.2%	2.9%
Rate for discounting scheme liabilities	2.7%	2.0%
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 2022**

	Approximate % increase in Employer Liability	Approximate monetary amount £m
0.1% decrease in Real Discount Rate	2%	£24,210
1 Year increase in Member Life Expectancy	4%	£48,849
0.1% increase in the Salary Increase Rate	0%	£3,383
0.1% increase in the Pension Increase Rate	2%	£20,616

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 2021/22. 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 2023 is £21.360m. 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.

Strathclyde Pension Fund's actuary has made an allowance for the estimated impact of the McCloud judgement within the 31 March 2022 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 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 of 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 2022 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.

The Strathclyde Pension Fund actuary has made an allowance for the potential impact on East Ayrshire's valuation results as at 31 March 2022.

## 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 2021/22 amounted to £12.755m, employer pension rates were 23% (2020/21 £12.474m). In addition, contributions totaling £0.599m, 1.1% of pensionable pay, were made for discretionary payments (2020/21 £0.638m, 1.2% 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 2021/22 and the resources used to finance it are shown below. Also shown are the capital commitments at 31 March 2022.

2020/21 £m	2021/22 £m
<b>545.805 Opening Capital Financing Requirement</b>	<b>569.089</b>
<i>Capital Investment</i>	
52.356 Property, Plant and Equipment	56.720
0.020 Intangible Assets	0.001
4.442 Revenue Expenditure Funded from Capital under Statute	2.837
<i>Sources of Finance</i>	
(0.438) Capital receipts	(2.746)
(15.672) Government grants and other contributions	(22.817)
Sums set aside from revenue:	
(2.850) Direct revenue contributions	(3.986)
(3.045) Repayment of PPP/Finance Lease Capital Debt	(3.288)
(11.529) Loans Fund Principal	(12.758)
<b>569.089 Closing Capital Financing Requirement</b>	<b>583.052</b>
<b>Explanation of movements in year</b>	
23.284 Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	13.963
<b>23.284 Increase/ (Decrease) in Capital Financing Requirement</b>	<b>13.963</b>
<b>16.963 Capital Contract Commitments at 31 March - Property, Plant &amp; Equipment</b>	<b>26.349</b>

## Note 11 – Impairment Losses

An impairment loss of £10.579m was recognised in 2021/22 due to the revaluation of PPE (2020/21 £17.095m). 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)

This note details the movement in Property, Plant and Equipment (PPE) during 2021/22. The valuation bases, useful lives and depreciation methods used are disclosed within Note 27 - Accounting Policies, Section N.

The Scottish Government on 29 August 2022 issued Local Government Finance Circular 9/2022 providing local authorities with temporary statutory override to the CIPFA/ LASAAC Accounting Code of Practice requirements on areas of the accounting and disclosure of infrastructure assets for 2021/22. The following tables reflect that guidance, with Note 27, Section N detailing the accounting policy applied. Gross historic cost and accumulated depreciation have not been disclosed and a note reconciling infrastructure assets and other property, plant and equipment to the balance sheet has been included.

2021/22	OPERATIONAL ASSETS			NON-OPERATIONAL ASSETS		2021/22	2021/22
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	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
<b>At 1 April 2021</b>	<b>326.780</b>	<b>470.786</b>	<b>49.194</b>	<b>19.013</b>	<b>9.565</b>	<b>875.338</b>	<b>127.606</b>
Expenditure	11.763	14.886	2.402	0.860	14.355	<b>44.266</b>	-
Revaluations (Effective 31 March):							
To Revaluation Reserve	-	4.070	-	(0.286)	-	<b>3.784</b>	<b>3.730</b>
To Net Cost of Services	(1.189)	(6.017)	-	(3.373)	-	<b>(10.579)</b>	-
Disposals	(2.058)	-	(2.735)	-	-	<b>(4.793)</b>	-
Other movements	-	2.710	-	5.315	(8.025)	-	-
<b>At 31 March 2022</b>	<b>335.296</b>	<b>486.435</b>	<b>48.861</b>	<b>21.529</b>	<b>15.895</b>	<b>908.016</b>	<b>131.336</b>
<b>Depreciation and Impairment:</b>							
<b>At 1 April 2021</b>	<b>(21.656)</b>	<b>(10.247)</b>	<b>(38.459)</b>	<b>(0.069)</b>	-	<b>(70.431)</b>	<b>(2.651)</b>
Depreciation charge	(11.771)	(12.725)	(3.007)	(0.336)	-	<b>(27.839)</b>	<b>(2.651)</b>
Depreciation written out							
To Revaluation Reserve	-	21.265	-	0.317	-	<b>21.582</b>	<b>5.302</b>
Disposals	0.218	-	2.686	-	-	<b>2.904</b>	-
<b>At 31 March 2022</b>	<b>(33.209)</b>	<b>(1.707)</b>	<b>(38.780)</b>	<b>(0.088)</b>	-	<b>(73.784)</b>	-
<b>Net Book Value at 31 March 2021</b>	<b>305.124</b>	<b>460.539</b>	<b>10.735</b>	<b>18.944</b>	<b>9.565</b>	<b>804.907</b>	<b>124.955</b>
<b>Net Book Value at 31 March 2022</b>	<b>302.087</b>	<b>484.728</b>	<b>10.081</b>	<b>21.441</b>	<b>15.895</b>	<b>834.232</b>	<b>131.336</b>
2020/21	OPERATIONAL ASSETS			NON-OPERATIONAL ASSETS		2020/21	2020/21
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	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
<b>At 1 April 2020</b>	<b>317.808</b>	<b>384.016</b>	<b>46.564</b>	<b>16.697</b>	<b>70.294</b>	<b>835.379</b>	<b>127.600</b>
Expenditure	8.633	13.519	4.211	1.002	15.637	<b>43.002</b>	<b>0.006</b>
Revaluations (Effective 1 April):							
To Revaluation Reserve	(0.003)	16.262	-	0.864	-	<b>17.123</b>	-
To Net Cost of Services	(6.780)	(8.531)	-	(1.690)	-	<b>(17.001)</b>	-
Disposals	(1.414)	-	(1.581)	(0.170)	-	<b>(3.165)</b>	-
Other movements	8.536	65.520	-	2.310	(76.366)	-	-
<b>At 31 March 2021</b>	<b>326.780</b>	<b>470.786</b>	<b>49.194</b>	<b>19.013</b>	<b>9.565</b>	<b>875.338</b>	<b>127.606</b>
<b>Depreciation and Impairment:</b>							
<b>At 1 April 2020</b>	<b>(10.392)</b>	<b>(1.181)</b>	<b>(36.949)</b>	<b>(0.520)</b>	-	<b>(49.042)</b>	-
Depreciation charge	(11.383)	(11.587)	(3.043)	(1.368)	-	<b>(27.381)</b>	<b>(2.651)</b>
Depreciation written out							
To Revaluation Reserve	0.019	2.526	-	1.811	-	<b>4.356</b>	-
To Net Cost of Services	-	-	-	-	-	-	-
Disposals	0.100	-	1.533	0.003	-	<b>1.636</b>	-
Other movements	-	(0.005)	-	0.005	-	-	-
<b>At 31 March 2021</b>	<b>(21.656)</b>	<b>(10.247)</b>	<b>(38.459)</b>	<b>(0.069)</b>	-	<b>(70.431)</b>	<b>(2.651)</b>
<b>Net Book Value at 31 March 2020</b>	<b>307.416</b>	<b>382.835</b>	<b>9.615</b>	<b>16.177</b>	<b>70.294</b>	<b>786.337</b>	<b>127.600</b>
<b>Net Book Value at 31 March 2021</b>	<b>305.124</b>	<b>460.539</b>	<b>10.735</b>	<b>18.944</b>	<b>9.565</b>	<b>804.907</b>	<b>124.955</b>

#### Infrastructure Assets

2020/21	2021/22
£m	£m
<b>65.140 Net Book Value at 1 April</b>	<b>66.676</b>
9.354 Expenditure	12.453
(7.818) Depreciation	(9.487)
<b>66.676 Infrastructure Assets Closing Net Book Value</b>	<b>69.642</b>
804.907 Other PPE Assets (see table above)	834.232
<b>871.583 Total PPE Assets</b>	<b>903.874</b>

### 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 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 Amortisation
	31 March 2022 £m	31 March 2021 £m	
Northgate Software	-	0.016	None
Gov Delivery Platform	0.023	0.044	1 Year
Health & Social Care Management Information System	0.198	0.397	1 Year
	<b>0.221</b>	<b>0.457</b>	

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

2020/21 £m		2021/22 £m
	<b>Balance at start of year:</b>	
1.434	Gross carrying amounts	1.454
(0.769)	Accumulated amortisation	(0.997)
<b>0.665</b>	<b>Net carrying amount at start of year</b>	<b>0.457</b>
0.020	Purchases	0.001
(0.228)	Amortisation for the period	(0.237)
<b>0.457</b>	<b>Net carrying amount at end of year</b>	<b>0.221</b>
	<b>Comprising:</b>	
1.454	Gross carrying amounts	1.455
0.997	Accumulated amortisation	1.234

### Note 15 - Assets Held for Sale

2020/21 £m	Current Assets	2021/22 £m
<b>0.224</b>	<b>Balance outstanding at start of year</b>	<b>0.046</b>
(0.093)	Assets declassified as held for sale	-
(0.085)	Assets sold	(0.021)
<b>0.046</b>	<b>Balance outstanding at year-end</b>	<b>0.025</b>



## 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.

2020/21 £m	2021/22 £m
<b>65.256 Cost or Valuation at 1 April</b>	<b>41.543</b>
(23.713) Revaluations during the year	-
<b>41.543 Cost or Valuation at 31 March</b>	<b>41.543</b>
<b>65.256 Opening Net Book Value</b>	<b>41.543</b>
<b>41.543 Closing Net Book Value</b>	<b>41.543</b>

Information on the management of Heritage Assets including details of records maintained is included in the Collection Procedural Manual approved at Council on the 29 June 2022.

The value for Heritage Assets on the 2021/22 Balance Sheet is unchanged from the audited value for 2020/21. The vast majority of the value relates to larger value items within the collection and is based on the insurance value of items that were electronically catalogued within the heritage assets records system at the point of insurance assessment, £40.796m. Smaller value items, listed internally following the 2020/21 audit process and valued by the Council's in house valuer at £0.747m have since been catalogued on the electronic records system. The in house valuer has assessed there is no material change in their overall value in 2021/22.

## Note 17 - Inventories

2020/21			2021/22		
Consumable Stores	Maintenance Materials	Total	Consumable Stores	Maintenance Materials	Total
£m	£m	£m	£m	£m	£m
0.624	0.856	1.480	0.771	0.979	1.750
3.166	3.061	6.227	1.507	2.515	4.022
(3.019)	(2.938)	(5.957)	(1.534)	(2.758)	(4.292)
<b>0.771</b>	<b>0.979</b>	<b>1.750</b>	<b>0.744</b>	<b>0.736</b>	<b>1.480</b>

## Note 18 - Short Term Debtors and Creditors

31 March 2021			31 March 2022	
Debtors	Creditors	Short Term Debtors and Creditors	Debtors	Creditors
£m	£m		£m	£m
11.606	(14.488)	Central Government bodies	12.481	(11.204)
3.452	(11.122)	Other Local Authorities	3.433	(22.634)
9.566	(0.096)	NHS bodies	18.358	(0.121)
-	(0.216)	Public Corporations and trading funds	-	(0.217)
14.009	(43.341)	Other entities and individuals	14.909	(44.122)
<b>38.633</b>	<b>(69.263)</b>	<b>Total</b>	<b>49.181</b>	<b>(78.298)</b>

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 £3.763m (2020/21 £9.726m).

## Note 19 - Cash and Cash Equivalents

31 March 2021	31 March 2022
£m	£m
0.039 Cash held by the Council	0.040
(3.146) Bank current accounts	(3.035)
35.448 Short term deposits	35.067
<b>32.341 Total Cash and Cash Equivalents</b>	<b>32.072</b>

## Note 20 - Provisions

At 31 March 2022 £0.452m, (£0.350m 2020/21), 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.

In February 2022, the Council committed £6m to a jobs and training programme, (£NIL 2020/21). The programme will see 200 apprenticeships and graduate interns employed by the Council, it's partners and lead businesses. This multi year scheme has been provided by the Council to help residents of East Ayrshire receive jobs and training to counter act the lasting impact of Covid-19 and the lockdown restrictions. The Council is currently in ongoing discussion with a service contractor regarding additional funding required to meet necessary levels of service provision. An amount has been set aside to support an anticipated settlement position.

A provision of £0.097m, (£0.097m 2020/21), has been retained in respect of a potential PAYE tax liability arising from the 'Let's Connect' technology salary sacrifice scheme arising as a result of the HMRC view regarding the residual value and disposal arrangements at the conclusion of the arrangement.

Strathclyde Regional Council (SRC) intromissions for 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 Strathclyde Regional Council authorities in respect of their relationship with the European Regional Development Fund. At 31 March 2022 our involvement stands at £0.916m (2020/21 £0.895m).

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 2021				31 March 2022		
Non Current £m	Current £m	Total £m	Amortised Cost	Non Current £m	Current £m	Total £m
0.399	0.021	0.420	Investments	0.393	0.029	0.422
-	76.599	76.599	Debtors	-	84.288	84.288
<b>0.399</b>	<b>76.620</b>	<b>77.019</b>	<b>Total Financial Assets</b>	<b>0.393</b>	<b>84.317</b>	<b>84.710</b>
(431.211)	(66.338)	(497.549)	Borrowings	(446.725)	(53.122)	(499.847)
-	(61.002)	(61.002)	Creditors	-	(68.422)	(68.422)
<b>(431.211)</b>	<b>(127.340)</b>	<b>(558.551)</b>	<b>Total Financial Liabilities</b>	<b>(446.725)</b>	<b>(121.544)</b>	<b>(568.269)</b>

### Items of Income

2020/21			2021/22		
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	-	-	-
-	-	<b>- Total net gains/losses</b>	-	-	-
		Interest revenue:			
(0.147)	-	- Financial assets measured at amortised cost	(0.286)	-	-
<b>(0.147)</b>	-	<b>- Total interest revenue</b>	<b>(0.286)</b>	-	-
<b>21.720</b>	-	<b>- Interest expense</b>	<b>21.460</b>	-	-

**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.

31 March 2021			31 March 2022		
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m	
0.021	0.021	Short Term Investments	0.029	0.029	
0.399	0.399	Long Term Investments	0.393	0.393	
76.599	76.599	Short Term Debtors	84.288	84.288	
<b>77.019</b>	<b>77.019</b>	<b>Financial Assets</b>	<b>84.710</b>	<b>84.710</b>	
(286.554)	(411.228)	PWLB Debt	(302.327)	(395.590)	
(115.587)	(176.101)	Non-PWLB Debt	(105.511)	(154.339)	
(3.146)	(3.146)	Short Term Borrowing	(3.035)	(3.035)	
(61.002)	(61.002)	Short Term Creditors	(68.422)	(68.422)	
(3.288)	(3.288)	Short Term Finance Lease Liability	(3.159)	(3.159)	
(88.974)	(113.102)	Other Long Term Liabilities	(85.815)	(102.840)	
<b>(558.551)</b>	<b>(767.867)</b>	<b>Financial Liabilities</b>	<b>(568.269)</b>	<b>(727.385)</b>	

The fair values are calculated as follows:

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 2022) 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 £302.327m would be valued at £340.953m. 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 £395.590m.

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 4 March 2021, and is available on our website. The key areas within the strategy were:

- The Authorised Limit for 2021/22 was set at £566.214m, the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £552.491m. 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 2021/22 Investment Strategy approved by Council on 4 March 2021 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 2022 that this was likely to crystallise.

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

#### *Credit Risk Exposure at 31 March 2022*

Counterparty	Credit Rating Criteria met when investment  YES/NO	Credit Rating Criteria met on 31 March 2022  YES/NO	Balance Invested at 31 March 2022						Total  £m
			Up to 1 Month £m	Between 1 and 3 £m	Between 3 and 6 £m	Between 6 and 9 £m	Between 9 and 12 £m	Over 12 £m	
UK Banks	YES	YES	24.284	-	-	-	-	-	24.284
Debt Management Office	YES	YES	10.782	-	-	-	-	-	10.782
Other	YES	YES	-	-	0.003	-	0.003	0.390	0.396
<b>Total</b>			<b>35.066</b>	<b>-</b>	<b>0.003</b>	<b>-</b>	<b>0.003</b>	<b>0.390</b>	<b>35.462</b>

#### *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 funds 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 2021		31 March 2022	
£m		£m	
0.021	Less than 1 year	0.029	
0.005	Between 1 and 2 years	0.006	
0.005	Between 2 and 3 years	0.005	
0.389	More than 3 years	0.382	
<b>0.420</b>		<b>0.422</b>	

#### *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 Council in the Treasury Management Strategy):

	<b>Approved Minimum Limits</b>	<b>Approved Maximum Limits</b>	<b>31 March 2022</b>	
			<b>£m</b>	<b>%</b>
Less than 1 year	0%	35%	53.128	10.63%
Between 1 and 2 years	0%	35%	18.339	3.67%
Between 2 and 5 years	0%	60%	36.207	7.24%
Between 5 and 10 years	0%	50%	77.844	15.57%
More than 10 years	0%	50% - 90%	314.329	62.89%
<b>Total</b>			<b>499.847</b>	<b>100.00%</b>

#### *Trade Receivables*

At 31 March 2022 potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £27.824m with a bad debt provision of £5.217m. 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:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
13.437	Less than 3 months	22.362
0.240	Between 3 and 6 months	0.060
0.427	Between 6 months and 1 year	0.204
5.291	More than 1 year	5.198
<b>19.395</b>		<b>27.824</b>

#### *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 2022, 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	0.325
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0.325</b>
<b>Share of overall impact debited to the HRA</b>	<b>0.107</b>
Decrease in fair value of fixed rate investment assets	0.002
Impact on Other Comprehensive Income and Expenditure	-
<b>Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)</b>	<b>77.757</b>

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 2022. 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 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 2020/21		As at 31 March 2021			During 2021/22		As at 31 March 2022	
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
0.637	5.424	0.126	0.046	East Ayrshire Leisure Trust	0.734	5.423	0.009	0.140
113.105	82.043	-	9.316	Integration Joint Board	123.853	88.550	-	20.552



## Note 25 - Unusable Reserves

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

2020/21		Unusable Reserves		Unusable Statutory Adjustment Accounts				2021/22
		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
218.293	<b>Balance as at 1 April 2021</b>	<b>251.384</b>	-	<b>89.657</b>	<b>(183.017)</b>	<b>(11.117)</b>	<b>(10.568)</b>	<b>136.339</b>
(37.319)	Other Comprehensive Income and Expenditure	25.366	-	-	156.589	-	-	181.955
(37.319)	<b>Total Comprehensive Income and Expenditure</b>	<b>25.366</b>	-	-	<b>156.589</b>	-	-	<b>181.955</b>
	<b>Adjustments between Accounting Basis and Funding Basis Under Statute</b>							
(39.329)	Current and Past Service Pension Costs in Cost of Services	-	-	-	(59.794)	-	-	(59.794)
(3.300)	Net Interest on Net Defined Pension Liability	-	-	-	(4.003)	-	-	(4.003)
23.874	Employers Contributions to Pensions Fund	-	-	-	24.905	-	-	24.905
(18.755)	<b>Adjustments Relating to Pensions</b>	-	-	-	<b>(38.892)</b>	-	-	<b>(38.892)</b>
(35.199)	Depreciation of Non-Current Assets	(8.763)	-	(28.563)	-	-	-	(37.326)
(17.094)	Impairment of Non-Current Assets	-	-	(10.579)	-	-	-	(10.579)
(0.228)	Amortisation of Intangible Assets	-	-	(0.237)	-	-	-	(0.237)
11.230	Capital Grants & Contributions Applied	-	-	23.482	-	-	-	23.482
-	Capital Grants & Contributions Unapplied	-	-	-	-	-	-	-
14.574	Repayment of Debt	-	-	16.046	-	-	-	16.046
2.850	Capital Expenditure Funded in Year	-	-	3.986	-	-	-	3.986
0.438	Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	2.746	-	-	-	2.746
(1.614)	Net Gain/ Loss on Disposal of Non-Current Assets	-	-	(1.909)	-	-	-	(1.909)
(25.043)	<b>Adjustments Relating to Capital</b>	<b>(8.763)</b>	-	<b>4.972</b>	-	-	-	<b>(3.791)</b>
(1.295)	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	0.815	0.815
0.458	Differences relating to Financial Instruments required by statute	-	-	-	-	0.451	-	0.451
(0.837)	<b>Adjustments for Other Items</b>	-	-	-	-	<b>0.451</b>	<b>0.815</b>	<b>1.266</b>
(81.954)	<b>Increase (decrease) before transfers</b>	<b>16.603</b>	-	<b>4.972</b>	<b>117.697</b>	<b>0.451</b>	<b>0.815</b>	<b>140.538</b>
136.339	<b>Balance as at 31 March 2022</b>	<b>267.987</b>	-	<b>94.629</b>	<b>(65.320)</b>	<b>(10.666)</b>	<b>(9.753)</b>	<b>276.877</b>

## 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 2021/22 the financial results for the Alliance are as follows:

Annual Estimate 2020/21 £m	Actual 2020/21 £m	Variance £m	Council	Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m
7.582	7.302	(0.280)	East Ayrshire Council	7.366	6.400	(0.966)
6.110	6.062	(0.048)	South Ayrshire Council (SAC)	5.983	5.292	(0.691)
<b>13.692</b>	<b>13.364</b>	<b>(0.328)</b>	<b>Total</b>	<b>13.349</b>	<b>11.692</b>	<b>(1.657)</b>

Annual Estimate 2020/21 £m	Actual 2020/21 £m	Variance £m	Detail	Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m
9.210	8.313	(0.897)	Employee Costs	9.298	8.343	(0.955)
0.590	0.515	(0.075)	Premises Costs	0.521	0.578	0.057
1.634	1.524	(0.110)	Transport Costs	1.681	1.640	(0.041)
4.962	4.989	0.027	Supplies and Services	5.067	4.738	(0.329)
2.437	3.038	0.601	Third Party Payments	2.845	2.733	(0.112)
0.286	0.296	0.010	Debt Charges	0.238	0.491	0.253
<b>19.119</b>	<b>18.675</b>	<b>(0.444)</b>	<b>Total Expenditure</b>	<b>19.650</b>	<b>18.523</b>	<b>(1.127)</b>
(5.427)	(5.311)	0.116	Income	(6.301)	(6.831)	(0.530)
<b>13.692</b>	<b>13.364</b>	<b>(0.328)</b>	<b>Net Expenditure</b>	<b>13.349</b>	<b>11.692</b>	<b>(1.657)</b>

Annual Estimate 2020/21 £m	Actual 2020/21 £m	Variance £m	Amount Charged to SAC at Year End £m	Strategic Delivery	Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m	Amount Charged to SAC at Year End £m
2.285	1.889	(0.396)	n/a	East Ayrshire Council	2.303	1.804	(0.499)	
2.005	1.846	(0.159)	(0.159)	South Ayrshire Council	1.927	1.432	(0.495)	(0.495)
<b>4.290</b>	<b>3.735</b>	<b>(0.555)</b>	<b>(0.159)</b>	<b>Total</b>	<b>4.230</b>	<b>3.236</b>	<b>(0.994)</b>	<b>(0.495)</b>

Annual Estimate 2020/21 £m	Actual 2020/21 £m	Variance £m	Amount Charged to SAC at Year End £m	Local Delivery	Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m	Amount Charged to SAC at Year End £m
5.297	5.413	0.116	n/a	East Ayrshire Council	5.063	4.596	(0.467)	
4.105	4.216	0.111	0.111	South Ayrshire Council	4.056	3.860	(0.196)	(0.196)
<b>9.402</b>	<b>9.629</b>	<b>0.227</b>	<b>0.111</b>	<b>Total</b>	<b>9.119</b>	<b>8.456</b>	<b>(0.663)</b>	<b>(0.196)</b>

## **Note 27 – Accounting Policies**

### **(A) General Principles**

The Accounts summarise our transactions for the 2021/22 financial year and the position as at 31 March 2022. 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 2021/22 (The 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 at 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 and Roads 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 | • Operational Buildings 20-60 years |
| • Community Assets 20-25 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.

**Infrastructure Assets:** Highways network infrastructure assets include carriageways, footways, structures, street lighting, street furniture, traffic management systems, land and flood prevention schemes which together form a single integrated network.

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Infrastructure assets are measured at depreciated historic cost. Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. The useful life of infrastructure assets is laid out in the following table.

Infrastructure Asset Element	Useful Life
Carriageways & Footways	30 years
Structures	120 years
Major Flood Prevention Schemes	70 years
Street Lighting	20 years
Traffic Signals	15 years
Other Street Furniture	10 years

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off amounts 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 transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where a part of the network is replaced, an adaptation provided in a separate update to the Code assumes that from the introduction of the IFRS based Code when parts of an asset are replaced or restored the carrying amount of the derecognised part will be zero because parts of infrastructure assets are rarely replaced before the part has been fully consumed. Disclosure in the notes is on a net book value basis only. Gross historic cost and accumulated depreciation have not been disclosed.

**(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 civic regalia;
- The Council's archives and ephemera;
- 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;
- Community assets, held primarily for current use.
- Historic buildings used to provide services to the authority;

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 2022/23 Code:

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards
- Amendments to IAS37 Onerous Contracts
- Amendments to IAS41 Agriculture
- Amendments to IAS16 Property, Plant and Equipment

None of the above have any impact on the 2021/22 Accounts.

IFRS16 implementation was due to be applied by the Code from 1 April 2022, however has been deferred to be effective from 1 April 2024 and included in the 2024/25 Code. Further details contained in Note 7.



## **Note 29 - Events after the Balance Sheet Date**

We are required to disclose material matters that arise between the Balance Sheet date 31 March 2022 and the date when the Accounts are authorised for issue which took place at the Council meeting on 29 June 2022.

The Chief Financial Officer and Head of Finance & ICT, being the responsible officer for the Council's affairs, signed the audited Annual Accounts on 3 November 2022. 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:

- There is significant uncertainty regarding the level of funding for local government in the medium to longer term. Our long term future plan estimates a budget gap for the year to 2031/32 of £115m 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. The Council has determined that any uncertainty over future funding does not provide any reasonable indication that service levels would be affected to such an extent that the use and value of its assets would be measurably affected.
- 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.
- We continue to monitor the impact of the United Kingdom's withdrawal from the European Union on the wider economy and the Council and while the EU Exit Withdrawal Agreement has been reached, issues remain including the impact on EU funded projects. The UK Government recently published the allocation to each council from the UK Shared Prosperity Fund with our allocation confirmed at £6.1m. This will be weighted and paid incrementally from 2022/23 until 2024/25. Work is ongoing analysing the funding and preparing the economic plan that will accompany expenditure in the months ahead. The transition will be closely monitored in the coming months, particularly around specific projects including employability schemes where EU funding ends in 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.
- 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 £122.304m) 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 2022 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 £5.356m for each year that useful lives were reduced by one year.

- Assets held at fair value are revalued on a five year rolling basis, as set out in the accounting policy at Note 27 (N). Additional valuations are carried out on an ad hoc basis outwith the rolling programme arrangements, for example, property deemed as surplus or where a need for impairment has been identified. The Council is of the view that this process ensures the carrying amount does not differ materially from that which would be otherwise determined using current fair value at any point in time.
- 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 0.1% decrease in the real discount rate would result in an increase in the pension liability of 2% or £24.204m. However, the assumptions interact in complex ways. During 2021/22, the Pension Fund's actuaries advised our share of the net pension liability has decreased by £117.399m.
- 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.
- At 31 March 2022, the Council had an outstanding gross debtors balance of £27.824m. In line with the requirements of IFRS 9 around expected credit losses a detailed review of outstanding debtors was undertaken at 31 March 2022 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 18.8% (£5.217m). In terms of financial modelling a 1% increase in the allowance could lead to an additional cost of £0.052m. 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 continue to be reviewed.
- 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 2021/22 is £41.543m (2020/21: £41.543m). 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 2022/23 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 2022/23 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.
- The ongoing war in Ukraine as well as the continuing affect of the Covid-19 pandemic has had a significant impact on the local and national economy, particularly on supply chain costs across all sectors including energy, fuel, food and construction. This is anticipated to continue in the short to medium term future affecting the cost of Council service provision and completion of capital programme works, as well as increase the demand for welfare services within our communities. As always, the Council will continue to monitor the ongoing economic position and will manage and plan accordingly through ongoing review of available funding and reserves.





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 2022. 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 84. 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:

2020/21					2021/22				
Surplus/ (Deficit) on Operating Activities	Balance Sheet extract					Surplus/ (Deficit) on Operating Activities	Balance Sheet extract		
	Non-Current Assets	Current Assets	Non-Current Liabilities	Current Liabilities			Non-Current Assets	Current Assets	Current Liabilities
£m	£m	£m	£m	£m		£m	£m	£m	£m
0.475	15.510	9.875	-	(1.225)	Strathclyde Partnership for Transport	0.390	17.517	9.868	(1.060)
0.159	-	0.213	-	(0.011)	Strathclyde Concessionary Travel Scheme Joint Committee	0.066	-	0.298	(0.031)
0.054	0.621	0.333	-	(0.057)	Ayrshire Valuation Joint Board	(0.159)	1.347	0.298	(0.045)
(0.098)	0.019	0.775	(1.467)	(0.431)	East Ayrshire Leisure Trust	(0.300)	0.051	0.868	(0.331)
5.088	-	7.570	-	-	Integrated Joint Board	9.261	-	17.085	-
<b>5.678</b>	<b>16.150</b>	<b>18.766</b>	<b>(1.467)</b>	<b>(1.724)</b>	<b>Total Associates</b>	<b>9.258</b>	<b>18.915</b>	<b>28.417</b>	<b>(1.467)</b>

for 2021/22 Non-Current Liabilities are zero.

### **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 2021/22 was £88.550m. 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 £0.234m.





# 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.

2020/21 £m		2021/22 £m
	<b>Income</b>	
(44.876)	Dwelling Rents	(45.685)
(0.310)	Non Dwelling Rents	(0.328)
(0.890)	Any Other Income	(1.091)
0.602	Elimination Of Internal Recharges	0.801
<b>(45.474)</b>	<b>Total Income</b>	<b>(46.303)</b>
	<b>Expenditure</b>	
18.927	Repairs and Maintenance	21.468
11.717	Supervision and Management	12.278
18.649	Depreciation and Impairment of Non-Current Assets	13.470
0.540	Bad and Doubtful Debts	0.523
0.405	Any Other Expenditure	1.644
(0.602)	Elimination Of Internal Recharges	(0.801)
<b>49.636</b>	<b>Total Expenditure</b>	<b>48.582</b>
<b>4.162</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>2.279</b>
<b>0.658</b>	<b>HRA Share of Corporate and Democratic Core</b>	<b>0.633</b>
<b>0.106</b>	<b>HRA Share of Non Distributed Costs</b>	<b>0.126</b>
<b>4.926</b>	<b>Net Cost of HRA Services</b>	<b>3.038</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
(0.955)	Capital Grants and Contributions Receivable	(6.503)
<b>(0.955)</b>	<b>Income</b>	<b>(6.503)</b>
0.979	(Gain) or Losses on Disposals of Assets	(0.907)
<b>0.979</b>	<b>Expenditure</b>	<b>(0.907)</b>
<b>0.024</b>	<b>HRA Share of Other Operating Expenditure</b>	<b>(7.410)</b>
	<b>Investment</b>	
(2.016)	Expected Return on Pension Assets	(2.295)
<b>(2.016)</b>	<b>Income</b>	<b>(2.295)</b>
<b>(2.016)</b>	<b>HRA Share of Investment Income</b>	<b>(2.295)</b>
	<b>Financing</b>	
(0.043)	Interest and Investment Income	(0.063)
<b>(0.043)</b>	<b>Income</b>	<b>(0.063)</b>
2.346	Pension Interest Cost	2.724
4.633	Interest Payable and Similar Charges	4.448
<b>6.979</b>	<b>Expenditure</b>	<b>7.172</b>
<b>6.936</b>	<b>HRA Share of Net Finance Expenditure</b>	<b>7.109</b>
<b>9.870</b>	<b>(Surplus) /Deficit on the HRA</b>	<b>0.442</b>

## 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.

2020/21 £m (13.910)		2021/22 £m (18.549)
	<b>Balance on the HRA brought forward</b>	
9.870 (14.509)	Deficit on the HRA	0.442
(4.639)	Adjustments between accounting basis and funding basis under statute	(2.698)
	<b>(Increase) on the HRA Balance for the Year</b>	<b>(2.256)</b>
<b>(18.549)</b>	<b>Balance on the HRA carried forward</b>	<b>(20.805)</b>

There were no transfers to or from reserves during the year or in the previous year. 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 34 for 2021/22 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 2021		31 March 2022		
Total		Flats	Houses	Total
2,242	One Bedroom	1,432	773	2,205
6,136	Two Bedroom	2,968	3,123	6,091
3,464	Three Bedroom	537	2,914	3,451
268	Four Bedroom	15	255	270
5	Five Bedroom	2	3	5
-	Seven Bedroom	-	1	1
<b>12,115</b>	<b>Total</b>	<b>4,954</b>	<b>7,069</b>	<b>12,023</b>

#### Rental Information and Loss on Void Properties

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

2020/21		2021/22
£74.23	Average Weekly Rent (52 weeks)	£76.51
£3.217m	Total Rent Arrears	£3.412m
£2.751m	Provision for Bad Debt	£2.865m

We are required to disclose the loss on void properties and in 2021/22 this amounted to £1.731m. The comparator figure for 2020/21 was £1.982m.

# 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.

2020/21		2021/22
£m		£m
<b>72.648</b>	<b>Gross Council Tax levied and contributions in lieu</b>	<b>73.170</b>
	Deduct:	
(10.093)	Council Tax Reduction	(9.651)
(8.448)	Other discounts and reductions	(8.372)
(2.056)	Provision for bad and doubtful debts	(2.093)
0.526	Adjustments to previous years Council Tax and Community Charge	0.311
<b>52.577</b>	<b>Net Council Tax Income Transferred to General Fund</b>	<b>53.365</b>

Occupiers of domestic properties are liable to pay Council Tax. This is a tax levied by local authorities on domestic properties within their area. Dwellings fall within a valuation band 'A' to 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2021/22 was £1,375.35 (2020/21 £1,375.35). 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	2021/22 £ 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

2020/21											2021/22
Total	Bands	A(d)	A	B	C	D	E	F	G	H	Total
<b>58,628</b>	Properties		25,901	9,356	5,495	6,905	6,538	3,560	1,017	49	<b>58,821</b>
<b>(1,881)</b>	Exemptions		(1,191)	(281)	(153)	(123)	(73)	(32)	(4)	(3)	<b>(1,860)</b>
	- Disabled Reliefs	76	(9)	(25)	15	32	(48)	(29)	(12)	0	-
<b>(22,492)</b>	Discounts (25%)	(27)	(12,913)	(3,803)	(2,110)	(1,968)	(1,380)	(513)	(108)	(5)	<b>(22,827)</b>
<b>(914)</b>	Discounts (50%)	0	(597)	(135)	(79)	(95)	(48)	(21)	(10)	(4)	<b>(989)</b>
<b>50,666</b>	<b>Total equivalent</b>	69	21,174	8,032	4,790	6,275	6,048	3,360	969	43	<b>50,760</b>
	Ratio	5/9	6/9	7/9	8/9	9/9	12/9	15/9	18/9	22/9	
<b>46,190</b>	<b>Band 'D' equivalent</b>	<b>38</b>	<b>14,116</b>	<b>6,247</b>	<b>4,259</b>	<b>6,275</b>	<b>7,946</b>	<b>5,460</b>	<b>1,898</b>	<b>105</b>	<b>46,344</b>
<b>(6,613)</b>	Council Tax Reduction	(14)	(4,569)	(1,231)	(629)	(422)	(301)	(115)	(39)	(1)	<b>(7,321)</b>
<b>39,577</b>	<b>Band 'D' equivalent after CTR</b>	<b>24</b>	<b>9,547</b>	<b>5,016</b>	<b>3,630</b>	<b>5,853</b>	<b>7,645</b>	<b>5,345</b>	<b>1,859</b>	<b>104</b>	<b>39,023</b>
<b>(1,048)</b>	Bad debt provision										<b>(1,213)</b>
<b>38,529</b>											<b>37,810</b>

## NON-DOMESTIC RATE ACCOUNT

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

2020/21		2021/22
£m		£m
<b>40.862</b>	<b>Gross rates levied and contributions in lieu</b>	<b>41.223</b>
	Deduct:	
(21.858)	Reliefs and reductions	(17.410)
(0.565)	Provision for bad and doubtful debts	(0.709)
<b>18.439</b>	<b>Net Non-Domestic Rate Income</b>	<b>23.104</b>
(1.510)	Prior year pool	(1.586)
0.722	Contributions from National Non-Domestic Rate Pool	(3.968)
<b>17.651</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement</b>	<b>17.550</b>

### Note 35 - Analysis of Rateable Values

	Number	£m
Shops	1,109	21.745
Industrial & Freight Transport Subjects	1,086	14.710
Offices (including Banks)	658	6.949
Other	313	3.542
Public Service Subjects	213	5.961
Leisure, Entertainment, Caravans and Holiday Sites	212	3.953
Garages and Petrol Stations	138	1.342
Public Houses	94	2.080
Religious	91	0.859
Health Medical	68	4.103
Education and Training	69	11.034
Care Facilities	54	2.409
Advertising	22	0.059
Cultural	25	0.465
Hotels, Boarding Houses, etc.	24	1.308
Undertaking	23	0.612
Sporting Subjects	411	0.504
Quarries, Mines, etc.	4	0.380
Petrochemical	1	0.133
	<b>4,615</b>	<b>82.148</b>

### 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 2021/22 was 49p, with supplements of 1.3p and 2.6p.



# REMUNERATION REPORT

All information disclosed in the tables in this Remuneration Report will be audited by Deloitte LLP excluding the Trade Union Facility Time Statement. 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 2021/22 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £37,213. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them at £27,910.

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 £37,213 = £27,910). 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 £325,597. 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 2021/22 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 £325,597. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £390,001. 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](http://www.east-ayrshire.gov.uk).

## Remuneration of Councillors

2020/21		2021/22
£m		£m
0.701	Salaries	0.729
0.011	Expenses	0.009
<b>0.712</b>	<b>Total</b>	<b>0.738</b>

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

# REMUNERATION REPORT

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

Total Remuneration 2020/21 £	Name	Designation	Total Remuneration 2021/22 £
35,677	D Reid	Leader of the Council	37,138
27,892	E Whitham	Depute Leader (1 April to 24 June)	6,360
26,013	J McMahon	Depute Leader (25 June to 31 March) Senior Councillor (1 April to 24 June)	27,461
26,013	T Cook	Leader of the Conservative Group	27,078
26,013	J McGhee	Leader of the Labour Group	27,078
26,758	Jim Todd	Provost (1 April to 24 June)	6,416
26,013	B Douglas	Provost (25 June to 31 March) Chair of Governance and Scrutiny Committee (1 April to 24 June)	27,637
-	G Mair	Chair of Governance and Scrutiny Committee (25 June to 31 March)	20,895
25,504	C Leitch	Depute Provost (1 April to 24 June) Senior Councillor (25 June to 31 March)	26,930
-	S Cogley	Depute Provost (25 June to 31 March)	20,486
26,013	C Maitland	Senior Councillor	27,078
26,013	F Campbell	Senior Councillor	27,078
26,013	I Linton	Senior Councillor	27,078
26,013	N McGhee	Senior Councillor	27,078
26,013	J Roberts	Senior Councillor	27,078
26,013	G Jenkins	Senior Councillor (1 April to 24 June)	6,237
-	Jacqui Todd	Senior Councillor (25 June to 31 March)	20,895
4,233	J McFadzean	Chair of Ayrshire Valuation Joint Board	5,018
<b>380,194</b>			<b>395,019</b>

Note 1: The 2021/22 costs relate to salary, fees and allowances; there were no taxable expenses or non-cash benefits in kind.

Note 2: Details for 2020/21 at: [Annual-Accounts-2020-21 \(east-ayrshire.gov.uk\)](https://www.east-ayrshire.gov.uk/annual-accounts-2020-21)

Note 3: The full years equivalent for any Senior Councillors that were only in post part year was £27,078.

Total Remuneration 2020/21 £	Name	Designation	Total Remuneration 2021/22 £ (Note 1)
122,117	E Fraser	Chief Executive (Note 2)	143,006
118,816	K Kelly	Depute Chief Executive: Safer Communities	120,553
6,864	C McArthur	Director of Health & Social Care (Note 3)	122,200
95,743	D Mitchell	Chief Governance Officer (Note 4)	101,415
19,984	J McLachlan	Chief Financial Officer and Head of Finance & ICT (Note 4)	104,092
95,743	L McAulay-Griffiths	Chief Education Officer and Head of Education	99,768
92,449	M McAulay	Head of Children's Health, Care and Justice Services	98,535
<b>551,716</b>			<b>789,569</b>

## 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/151 sets the amount of salary for the Chief Executive of the Council for the year ended 31 March 2022. The salaries of the Chief Officers were reviewed as part of the Council's management restructure approved by Cabinet on 24 June 2021. 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.

*Note 1: 2021/22 costs relate to salary, fees and allowances; there were no taxable expenses for loss of employment.*

*Note 2: The Chief Executive remuneration includes £3,294 in respect of the Scottish Parliamentary Election on 6 May 2021.*

*Note 3: The Director of Health and Social Care is the Chief Officer of the Integration Joint Board (IJB) and includes £1,647 in respect of the Scottish Parliamentary Election on 6 May 2021. These full year salary costs for the position £120,553 are replicated in the IJB Accounts.*

*Note 4: Both the Chief Financial Officer and Head of Finance & ICT and Chief Governance Officer posts include £1,647 in respect of the Scottish Parliamentary Election on 6 May 2021.*

*Note 5: Details of Senior employees who left the Council during 2020/21 can be found at:*

[Annual-Accounts-2020-21 \(eastayrshire.gov.uk\)](https://www.eastayrshire.gov.uk/Annual-Accounts-2020-21)

## 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 2021/22. 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.

2020/21 Total	Remuneration band	2021/22 Officers	Number of Employees		Left During Year
			2021/22 Teachers	2021/22 Total	
150	£50,000 – £54,999	38	75	113	-
93	£55,000 – £59,999	58	56	114	1
44	£60,000 – £64,999	25	28	53	4
28	£65,000 – £69,999	20	14	34	1
1	£70,000 – £74,999	-	2	2	-
3	£75,000 – £79,999	4	1	5	2
4	£80,000 – £84,999	-	1	1	-
3	£85,000 – £89,999	4	1	5	-
4	£90,000 – £94,999	1	1	2	-
3	£95,000 – £99,999	5	-	5	1
-	£100,000 – £104,999	1	-	1	-
3	£115,000 – £119,999	-	-	-	-
-	£120,000 – £124,999	2	-	2	-
1	£130,000 – £134,999	-	-	-	-
-	£135,000 – £139,999	1	-	1	-
<b>337</b>		<b>159</b>	<b>179</b>	<b>338</b>	<b>9</b>

## Pension Benefits

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

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

At retirement members may opt to commute pension for 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		Accrued Pension Benefits	
	For year to 31 March 2022	For year to 31 March 2021	As at 31 March 2022	Difference from 31 March 2021
	£	£ (Note 1)	£000	£000
D Reid <i>Leader of the Council</i>	7,168	6,886	Pension 10 Lump Sum 3	1 -
E Whitham <i>Depute Leader (1 April to 24 June)</i>	1,227	5,119	Pension 1 Lump Sum -	2 -
J McMahon <i>Depute Leader (25 June to 31 March) Senior Councillor (1 April to 24 June)</i>	5,300	5,021	Pension 3 Lump Sum -	1 -
T Cook <i>Leader of the Conservative Group</i>	5,226	5,021	Pension 11 Lump Sum 2	4 -
J McGhee <i>Leader of the Labour Group</i>	5,226	5,021	Pension 6 Lump Sum 2	- -
Jim Todd <i>Provost (1 April to 24 June)</i>	1,238	5,164	Pension 2 Lump Sum 1	5 1
B Douglas <i>Chair of Governance and Scrutiny Committee (1 April to 24 June) Provost (25 June to 31 March)</i>	5,334	5,021	Pension 3 Lump Sum -	1 -
G Mair <i>Chair of Governance &amp; Scrutiny (25 June to 31 March)</i>	4,033		Pension 4 Lump Sum -	4 -
C Leitch <i>Depute Provost (1 April to 24 June) Senior Councillor (25 June to 31 March)</i>	5,198	4,922	Pension 3 Lump Sum -	1 -
S Cogley <i>Depute Provost (25 June to 31 March)</i>	3,954		Pension 2 Lump Sum -	2 -
C Maitland <i>Senior Councillor</i>	5,226	5,021	Pension 3 Lump Sum -	1 -
I Linton <i>Senior Councillor</i>	5,226	5,021	Pension 8 Lump Sum 2	1 -
N McGhee <i>Senior Councillor</i>	5,226	5,021	Pension 9 Lump Sum 2	3 -
J Roberts <i>Senior Councillor</i>	5,226	5,021	Pension 3 Lump Sum -	1 -
G Jenkins <i>Senior Councillor (1 April to 24 June)</i>	1,204	5,021	Pension 1 Lump Sum -	- -
Jacqui Todd <i>Senior Councillor (25 June to 31 March)</i>	4,033		Pension 2 Lump Sum -	2 -
J McFadzean <i>Convenor Ayrshire Valuation Joint Board</i>	968	817	Pension 1 Lump Sum -	- -
<b>Total</b>	<b>71,013</b>	<b>68,097</b>		

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.

Name and Post Title	In-year Pension Contributions			Accrued Pension Benefits	
	For year to 31 March 2022 £	For year to 31 March 2021 £		As at 31 March 2022 £000	Difference from 31 March 2021 £000
E Fraser	23,218	23,569	Pension	64	5
<i>Chief Executive</i>			Lump Sum	101	4
K Kelly	21,886	22,932	Pension	53	3
<i>Depute Chief Executive</i>			Lump Sum	77	-
C McArthur	21,559	1,325	Pension	51	11
<i>Director of Health and Social Care</i>			Lump Sum	77	17
D Mitchell	19,255	18,478	Pension	50	5
<i>Chief Governance Officer</i>			Lump Sum	77	6
J McLachlan	17,946	3,415	Pension	53	4
<i>Chief Financial Officer and Head of Finance &amp; ICT</i>			Lump Sum	95	5
L McAulay-Griffiths	19,255	18,478	Pension	8	2
<i>Chief Education Officer and Head of Education</i>			Lump Sum	-	-
M McAulay	18,541	17,843	Pension	35	4
<i>Head of Children's Health, Care and Justice Services</i>			Lump Sum	42	3
<b>Total</b>	<b>141,660</b>	<b>106,040</b>			

## 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 2021/22 £1.728m was approved either by Cabinet or under the Head of Human Resources' delegated authority.



2020/21					2021/22					
No	Compulsory Redundancies		Other Departures		Exit Packages Bands	No	Compulsory Redundancies		Other Departures	
	Cash Value	Notional CAY Value	Cash Value	Notional CAY Value			Cash Value	Notional CAY Value		
	£000	£000	£000	£000			£000	£000		
14	-	-	81	14	£0 – £20,000	18	-	-	140	-
3	-	-	88	-	£20,001 – £40,000	3	-	-	55	34
3	-	-	120	7	£40,001 – £60,000	1	-	-	25	33
7	-	-	332	121	£60,001 – £80,000	3	-	-	146	68
3	-	-	135	136	£80,001 – £100,000	2	-	-	171	16
1	-	-	74	40	£100,001 – £150,000	4	-	-	415	84
4	-	-	341	293	£150,001 – £200,000	4	-	-	375	305
-	-	-	-	-	£200,001 – £250,000	2	-	-	249	195
1	-	-	156	102	£250,001 – £300,000	1	-	-	152	121
-	-	-	-	-	£300,001 – £350,000	-	-	-	-	-
36	-	-	1,327	713		38	-	-	1,728	856

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 2021/22 there were 38 employees who were trade union representatives (37.3 FTE) and the percentage on facility time was:

The percentage of the total paybill spent on facility time was 0.07% and the time spent on paid trade union activities as a percentage of total paid facility time hours was 36.17%

These disclosures are not subject to testing as part of the year-end audit. Details for the period 1 April 2021 to 31 March 2022 are available on our website at:

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

**Councillor Douglas Reid**

*Leader of the Council*

3 November 2022

**Eddie Fraser**

*Chief Executive*

3 November 2022

# 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 2022

2020/21			2021/22		
Usable Reserve: Capital and Revenue £m	Unusable Reserves : Revaluation Reserve £m	Total Reserves £m	Usable Reserve: Capital and Revenue £m	Unusable Reserves: Revaluation Reserve £m	Total Reserves £m
0.383	5.504	5.887	0.384	5.224	5.608
(0.314)		(0.314)	(0.324)		(0.324)
-	0.035	0.035	-	0.394	0.394
0.315	(0.315)	-	0.325	(0.325)	-
0.384	5.224	5.608	0.385	5.293	5.678

## Comprehensive Income and Expenditure Statement for the Year ended 31 March 2022

2020/21			2021/22		
Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
0.315	-	0.315	0.325	-	0.325
-	(0.001)	(0.001)	-	(0.001)	(0.001)
		0.314 (Surplus) or Deficit			0.324
		(0.035) (Surplus)/ Deficit on the Revaluation of Non Current Assets			(0.394)
		0.279 Total Comprehensive Expenditure			(0.070)

## Balance Sheet at 31 March 2022

2020/21 £m		2021/22 £m
5.224	Property Plant and Equipment	5.293
5.224	Non Current Assets	5.293
0.384	Short Term Investments - Loans Fund	0.385
0.384	Current Assets	0.385
5.608	Net Assets	5.678
0.384	Usable Reserves: Capital and Revenue Reserves	0.385
5.224	Unusable Reserves: Revaluation Reserve	5.293
5.608	Net Reserves	5.678

## 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 2021	0.659	0.027	0.677	4.137	5.500
Revaluations	0.019	-	0.018	0.039	0.076
At 31 March 2022	0.678	0.027	0.695	4.176	5.576
Depreciation and Impairment:					
At 1 April 2021	(0.045)	-	(0.001)	(0.230)	(0.276)
Depreciation charge	(0.044)	(0.001)	(0.043)	(0.237)	(0.325)
Depreciation written out - Revaluations	0.089	-	0.044	0.185	0.318
At 31 March 2022	-	(0.001)	-	(0.282)	(0.283)
Net Book Value at 31 March 2021	0.614	0.027	0.676	3.907	5.224
Net Book Value at 31 March 2022	0.678	0.026	0.695	3.894	5.293

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

2020/21			Fund Balances	2021/22		
Capital Fund £	Revenue Fund £	Total Funds £		Capital Fund £	Revenue Fund £	Total Funds £
32,990.91	169,836.61	202,827.52	Opening Balances at 1 April 2021	32,990.91	143,210.03	176,200.94
-	(26,964.00)	(26,964.00)	Expenditure	-	(68,191.89)	(68,191.89)
-	337.42	337.42	Income	-	320.49	320.49
-	(26,626.58)	(26,626.58)	(Deficit)	-	(67,871.40)	(67,871.40)
32,990.91	143,210.03	176,200.94	Closing Balance at 31 March 2022	32,990.91	75,338.63	108,329.54
2020/21			Balance Sheet as at 1 April 2021	2021/22		
£				£		£
-			Investments - External	-		-
176,200.94			Investments - Loans Fund			108,329.54
176,200.94						108,329.54
			Financed By:			
32,990.91			Capital Funds			32,990.91
143,210.03			Revenue Funds			75,338.63
176,200.94			Closing Balance at 31 March 2022			108,329.54
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		75,961.19	-	75,961.19	
Miss Annie Smith Mair Bequest (SC021095)	To assist persons from Newmilns and Greenholm		1,809.61	-	1,809.61	
EAC Charitable Trusts (SC025073)	To maintain burial grounds at Dalmellington		30,558.74	-	30,558.74	
			108,329.54	-	108,329.54	

We also administer 33 Trusts not registered with OSCR with total assets at 31 March 2022 of £180,975. The combined income of these Trusts in 2021/22 was £405 and no expenditure was incurred in the year.

# 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 2022 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, and the Non-domestic Rate Account, the Common Good Account, Trusts and Bequests and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 6 years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have 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 ability of the council and its group 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.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland](#) website.

### Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework,

and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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

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

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

### **Other information**

The Chief Financial Officer is responsible for other information in the annual accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 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 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 the 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)**

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3 November 2022







# 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.