

East Ayrshire Council Annual Accounts  
For the year ended 31 March 2015



East Ayrshire  
COUNCIL

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

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

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# Management Commentary

## Introduction

The Local Authority Accounts (Scotland) Regulations 2014 which came into force on 10 October 2014, introduced a new narrative reporting requirement to local authority Annual Accounts. The statutory guidance on the Management Commentary takes the same approach as the central government Financial Reporting Manual (FRM). This requires the Management Commentary to reflect those matters companies are required to disclose under the Companies Act 2006, interpreted for local authorities. The Management Commentary is intended to assist readers in understanding the Annual Accounts and the Council.

## Background

East Ayrshire is a diverse area covering some 490 square miles with a population of 122,240 spread over both urban and rural communities. Kilmarnock is the largest urban area with a population of around 44,000. The rest of the population live in smaller communities, ranging from two hundred people to around 9,000 in Cumnock, the second largest town. Situated in south west Scotland, East Ayrshire has a varied natural environment, a rich and high profile cultural heritage, a proud industrial history and a range of activities, recreation and hospitality, which residents are proud of and which attracts visitors from all over the world.

## Our Vision

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

## Strategic and Operational Plans

The Community Plan, underpinned by the Single Outcome Agreement, sets out the Community Planning Partnership’s ambition for East Ayrshire going forward. The partnership, which comprises the Council, NHS Ayrshire and Arran, Police Scotland, Scottish Fire and Rescue Service, Ayrshire College and a range of other organisations including the voluntary sector, takes collective ownership for delivering our Community Plan and achieving improved outcomes. The last Community Plan covered the period 2003 through to March 2015 and mid term reviews were undertaken every four years. The most recent [Annual Performance Report](#) produced in September 2014 shows the progress towards the agreed outcomes identified in the 2013/2015 Single Outcome Agreement (SOA), reflecting the shared commitment by all Partners to deliver for local communities.

The new Community Plan covers the period 2015 to 2030 with a three-yearly review process built into the planning cycle. Over and above the planned programme of actions via the Delivery Plans, each three year period the Community Planning Partnership Board will focus on a small number of key priority issues, with the expectation of a demonstrable shift in relation to improved performance.

The Single Outcome Agreement provides all partners with a clear understanding of place and communities, plans for the delivery of improved outcomes and a robust performance management framework. The Single Outcome Agreement details performance indicators and targets against which we will assess and improve performance.



## Management Commentary

The strategic plans of all Partner agencies are aligned to the Community Plan, ensuring that their mainstream activity, detailed within their Service Plans, is directed at achieving identified Local Outcomes. Importantly, the action plans of the communities and Voluntary Sector Partners also contribute to achieving our vision for East Ayrshire.

### *Transformation Strategy*

Council services are changing to meet the challenges presented by ongoing budget constraints. The UK Government has signalled its intention to pursue continuous reductions in public spending over the medium term. Funding available to the Scottish Government will reduce in real terms and consequently financial support for local government will also reduce. At the same time, demand for services and user expectations of service access, quality and performance continue to increase. The Council recognised these challenges and in 2012 published and approved the [Transformation Strategy 2012-2017](#) which detailed the budget gap for the period and the pressures on finances and budgets. At that time, high level estimates indicated that expenditure would be £34m higher than income by 2016/17 and required decisive and comprehensive action to ensure that the Council continued to deliver services with less money. Whilst the concept of a Transformation Strategy might suggest a straightforward comprehensive solution, the range, complexity and inter-related nature of Council services means that such a strategy requires to reflect that complexity and consists of a large number of actions designed to change a whole range of activities. The Strategy is capable of evolution and will change to adapt to external events and is updated each December. The latest Transformation Strategy report was presented to Cabinet on 10 December 2014. A copy can be found at [Transformation Strategy Update](#). The Transformation Strategy 2012-17 outlines three priorities as set out in the table below:

<b>Strategic Priority</b>	<b>Key Actions</b>
<b>Raise educational attainment and equip our young people for the world of work</b>	<ul style="list-style-type: none"><li>• Raise educational and skills attainment.</li><li>• Foster and grow the partnership between local schools and businesses to ensure our young people are 'work ready'.</li><li>• Support 100 young people into apprenticeships with the Council and pioneer a new Apprenticeship Scheme to support local businesses.</li></ul>
<b>Support older people to live independently in the community</b>	<ul style="list-style-type: none"><li>• Encourage older people to participate in community life.</li><li>• Promote intergenerational work.</li><li>• Support more older people to live independently in their own homes and ensure that they are well cared for within the community.</li></ul>
<b>Promote town centre living</b>	<ul style="list-style-type: none"><li>• Build new council houses in and around our town centres and encourage external investment in town centres.</li><li>• Work with retailers and local businesses to improve our town centres and villages.</li><li>• Build on our investment on town centre regeneration.</li></ul>

### *Performance Measures to Support Our Priorities*

There are a significant number of performance measures used by the Council to monitor the achievement of Council's Strategic Priorities. Individual reports are prepared for three specific sub groups of the Council's Governance and Scrutiny Committee detailing the actions being taken to deliver the priorities together with the range of performance indicators used to measure and evidence progress. Members of the Committee provide scrutiny and challenge and ensure that the plans and actions continue to provide a steady and assured progress towards achievement and delivery of the priorities. Copies of the latest reports presented to Governance and Scrutiny Committee in November 2014 are [Raising Educational Attainment](#), [Supporting Older People to Live Independently](#), [Promoting Town Centre Living](#).

## Management Commentary

### *An Overview of Financial Performance in 2014/15*

To facilitate the comparison between the management accounts produced by the Council, which contain annual budget information, and the overall financial position presented in the Annual Accounts which are compiled in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom ("The Code"), the following tables reconcile the Comprehensive Income and Expenditure Statement (CIES), to the General Fund Surplus for the year.

The difference between the Annual Accounts and the Management Accounts is due to the adoption of statutory mitigation permitted to offset certain accounting adjustments impacting on the General Fund balance or the Council Tax. In addition, International Financial Reporting Standards requirements define the specific accounting treatment for certain items of expenditure.

	£m
<b>Deficit on the Provision of Services (per Comprehensive Income and Expenditure Statement)</b>	<b>32.556</b>
Items included from the Annual Accounts but not in Management Accounts (per Accounting Requirements)	(52.384)
Items excluded from the Annual Accounts but included in the Management Accounts (per Funding Requirements)	11.430
Appropriation	2.771
General Fund Surplus for the Year per the Annual Accounts	<u>(5.627)</u>
Use of Previous Years balances held and utilised by Services within the Year	(5.112)
Earmarked balances Committed by Services in the Year	10.215
<b>General Fund Uncommitted Surplus for the Year per the Management Accounts</b>	<b>(0.524)</b>

Service	Annual Estimate	Actual	Variance	Earmarked
	£m	£m	£m	in-year £m
Education	113.546	111.511	(2.035)	2.035
Integrated Health and Social Care	69.175	68.971	(0.204)	0.204
Finance and Corporate Support	22.982	21.216	(1.766)	1.766
Neighbourhood Services	35.778	33.859	(1.919)	1.919
Central	(8.050)	(13.536)	(5.486)	4.291
<b>Service Expenditure</b>	<b>233.431</b>	<b>222.021</b>	<b>(11.410)</b>	<b>10.215</b>
<b>In Year Fund Transfers</b>				
Earmarked Balances Committed by Services in the Year	0.329	10.215	9.886	
Transfer to Renewal and Repairs	0.000	1.000	1.000	
	<b>0.329</b>	<b>11.215</b>	<b>10.886</b>	
<b>Net Expenditure</b>	<b>233.760</b>	<b>233.236</b>	<b>(0.524)</b>	
<b>Funded by</b>				
Aggregate External Finance	227.914	227.914	-	
Transfer from Capital Fund	0.350	0.350	-	
Transfer from Renewal and Repairs	0.384	0.384	-	
Use of Previous Years balances held and utilised by Services within the Year	5.112	5.112	-	
	<b>233.760</b>	<b>233.760</b>	<b>0.000</b>	
<b>General Fund Surplus for the Year</b>	<b>0.000</b>	<b>(0.524)</b>	<b>(0.524)</b>	

## Management Commentary

The Council ended the year with a General Fund Surplus for the year of £5.627m (shown on the MiRS). The tables show that after taking account of earmarked balances the Council ended the year with an uncommitted General Fund surplus of £0.524m. This was mainly as a result of higher than anticipated income from Council Tax, reduced expenditure in respect of the Council Tax Reduction Scheme, and general efficiencies across services. The table also shows favourable variances in departmental budgets which are predominantly related to reduced costs as a result of budget holders taking action to review existing arrangements and prepare for future efficiencies. The [East Ayrshire Performs Report](#) provides further analysis of the reasons for the variances across all services.

The Movement in Reserves Statement (MiRS), on page 13 shows a General Fund balance of £33.653m, £23.418m of this has already been earmarked for future known commitments resulting in a cumulative uncommitted balance of £10.235m which is 3.2% of the of net budgeted expenditure and is within the range of 2% - 4% specified in the Council's Reserves Strategy.

### *Housing Revenue Account (HRA) Performance*

The MiRS on page 13 shows an increase on the Housing Revenue Account balance of £2.771m and this arises from a favourable variances in respect of employee costs, savings in the provision for rent arrears bad debt mainly due to changes in Discretionary Housing Payments and reduced debt charges. When added to the surplus brought forward from 2013/14 of £6.342m, this results in a cumulative balance of £9.113m, all of which will be used for future years commitments.

### *The Financial Outlook Going Forward*

The 2012-2017 Transformation Strategy provides the roadmap that will enable the Council to continue to deliver key services against a backdrop of continued reductions in grant. The December 2014 Transformation Strategy report showed that £15.343m of efficiencies had been achieved to 2014/15 with a further £17.956m requiring to be achieved in 2015/16 through to 2016/17. The Transformation Board provides continued scrutiny and challenge. The Council is prepared for a continued period of austerity and a new Transformation Strategy covering the period 2017-2022 will be required to ensure that the Council can continue to deliver valued services to our local communities within a reduced financial envelope. The UK government has announced that an emergency budget will take place on 8 July 2015 and that the continued reduction in grant funding levels seen in recent years will continue into the short and medium term.

As a Council we have demonstrated a commitment to transformation through the creation of alternative delivery models, where costs can be reduced and services maintained and this strategy will continue going forward. We will continue to work with communities to protect vital and valued services.

### *Alternative Delivery Models*

2014/15 is the first year end of the Ayrshire Roads Alliance between East Ayrshire Council and South Ayrshire Council. This unprecedented and successful partnership is designed to safeguard existing services and deliver savings of £8m over the next ten years. East Ayrshire Health and Social Care Partnership was established in April 2015 with £206.129m of Council and Health Board resources integrated to ensure the Partnership has flexibility to address pressures and is well placed to deliver integrated services.

### *Risks*

The Council's Executive Management Team (EMT), recognise that risk management and the evaluation of key corporate and strategic risks is an important part of their role. The EMT regularly review and assess the corporate risk register which details the high level strategic risks facing the Council. The register is updated based on the assessment of the overall risks identified by services those which are assessed as being significant are placed on the Corporate Risk Register. Details of the key risks and the action taken to minimise or mitigate them are regularly published in the [East Ayrshire Performs - Corporate Risks](#) report.

## Management Commentary

**Economic climate** - The level of grant funding available in the future will not support existing service levels.

It is considered that the overall risk rating is High as there remains significant uncertainty within the United Kingdom as to the longer term impact of the Comprehensive Spending Review, recent Budget announcements and the ongoing austerity measures. Projections included in the Transformation Strategy Update Report presented to Cabinet on 10 December 2014, anticipate a balanced budget by 2017 following the rephasing of a number of savings, and assuming the delivery of all previously approved efficiencies and workstreams. The recent Scottish Government policy to maintain teacher numbers and the pupil / teacher ratio at September 2014 Census levels has the potential to adversely impact on the savings already approved by Council or alternatively on the level of grant received from the Scottish Government. Reviews of existing structures / financial controls / service delivery models are ongoing to maintain strong financial management across the Council. The Council's transformation strategy is designed to ensure a sustainable platform from which to deliver services. Officers continue to analyse recent budget announcements at UK and Scottish levels to ascertain the local impact of these. Information on additional budget pressures from demographic changes has also been gathered and where appropriate incorporated into the budget strategy. The Transformation Plan Strategic Board meets regularly to challenge progress being made in delivery of the programme and ensure the anticipated savings are delivered. Funding forecasts continue to be modelled and these will be updated following the Chancellor of the Exchequer's Budget to be held on 8 July 2015.

**Economic climate** - The current economic position will have an impact on the income collected by the Council

The overall risk is considered to be High at present as recent and imminent reforms to benefits, and job losses in the area, most recently in the coal industry, could have a severe impact across Council services. The anticipated downturn has been reflected in Council budgets with income and bad debt budgets critically reviewed and realigned. The anticipated impact of welfare reform is being monitored on an ongoing basis with an update report considered by Cabinet on 29 October 2014. The HRA budget continues to be scrutinised given the recent changes to Discretionary Housing Payments and the impact this will have on rent arrears due to under occupancy. The previously expected increase in bad debt provision, caused by the impact of under occupancy, will no longer be required. The DWP will implement Universal Credit in East Ayrshire in Tranche 4 of the programme (implementation between December 2015 - April 2016) and there is significant potential for rent arrears to increase.

**Economic climate** - The local economic position will have a direct impact on the residents of East Ayrshire and their demand for Council services

The overall risk is considered to be High at present as recent and imminent reforms to benefits, and job losses in the area will have a severe impact on residents and indeed across Council services. Welfare Reform is having an acute impact on East Ayrshire residents. Work is progressing to ensure support mechanisms are in place through Financial Inclusion and other appropriate services including CAB. Officers have identified larger premises for the Bureau to allow some capacity issues to be addressed. In addition, a senior officer group comprising officers from social services, housing, finance, economic development, communications, DWP and CAB meet regularly to plan an appropriate response in terms of service delivery. The recent changes to Discretionary Housing Payments regulations has enabled additional payments to be awarded to those tenants affected by under occupancy and who apply for the payments, and is mitigating against potential rent arrears. Benefits sanctions are having an adverse impact on a range of individuals and work continues to better understand the reasons behind this, to allow an appropriate response to be formulated. Funding was identified during the budget setting for 2015/16, that will allow additional resources to be targeted at vulnerable individuals who rely on food banks.

**Risk: Financial Risk** – Certain Liabilities in relation to opencast coal sites may fall to the Council to resolve

The overall risk is considered to be High in terms of financial, reputational and economic risk factors due to the levels of restoration liability on each complex, the level of the financial guarantees held, the current low market price of coal, the risk of EU sanctions for the breach of the Muirkirk Special Protection area and the disclaimed land ownership within 3 of the sites. The Council has no liability for the restoration of the sites and is utilising the bond monies to implement Council policy to Make Safe, Make Good, Make New each site with an alternative restoration scheme that delivers an environmental solution. Work is progressing at a national level through a Scottish Government led task force and the Council has significant representation on this group. The task force is working with the UK government to consider the introduction of a coal tax exemption scheme which will channel the tax generated from coal extraction back towards the restoration of the site. A quarterly update report was considered by the Planning Committee in April 2015 summarising work to date, and outlining future arrangements in respect of open cast coal mining and all other environmental projects in East Ayrshire. Members will continue to receive updates on risks as information becomes available.

## Management Commentary

### *Council Reserves*

A comprehensive analysis of the Council's reserves is provided in the Movement in Reserves Statement (MiRS), which is shown at page 13.

*Sources of Income to the Council* - Income from Council Tax was £40.535m and the Band 'D' tax level was £1,188.99. The largest source of funds was the General Revenue Grant which amounted to £196.782m.

*Capital Expenditure* - The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2014/15 on General Fund Services was £19.521m and on Housing was £34.306m. The following table shows the sources of funding for capital expenditure.

Expenditure	£m	Financed By	£m
Education Services	6.716	Government Grants	18.623
Housing Services	34.306	Capital Receipts	2.173
Cultural & Related Services	1.250	Capital Financed from Revenue	9.654
Environmental Services	1.534	Borrowing	23.377
Roads & Transportation	6.675		53.827
Social Work	0.675		
Planning and Development	0.369		
Corporate & Democratic Core	2.302		
		<b>Represented By</b>	<b>£m</b>
		General Fund Services	19.521
		Housing	34.306
	<u>53.827</u>		<u>53.827</u>

*Borrowing* - Capital expenditure incurred by the Council in 2014/15 together with the source of funding is shown in the table on page 39. This is incurred principally for the creation and enhancement of assets, including council houses, school buildings and infrastructure, such as the roads network. Capital Expenditure is paid for by charging a proportion of the cost (principal) along with interest each year to the revenue account over the life of the asset. The current level of expenditure not yet repaid is the Capital Financing Requirement (CFR) of the Council, which at 31 March 2015 was £383.806m. This is in comparison to the net value of non current assets owned which was £988.155m.

*Pension Fund* - Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2015 disclosed a deficit position for the Council of £234.616m. It is important to note that this is simply a snapshot of the position at that time. The calculation is prepared only for the purposes of IAS19 reporting requirements and is not relevant for funding purposes. The latest long-term triennial funding valuation of the Fund for the purposes of setting employers' actual contributions was at 31 March 2014 and contributions to the Fund continue in line with current actuarial advice.

*Equal Pay* - A number of Equal Pay claims have been received by the Council covering the period prior to the introduction of Single Status within East Ayrshire Council and the four year pay protection period which followed. A provision has previously been made in the Financial Statements on the basis of potential estimated liabilities. This is reviewed on an annual basis in line with the requirements of the Accounting Standards and taking into account legal advice and updates from Finance and Human Resources Services on the adequacy and appropriateness of the provision.

## Management Commentary

*Public Private Partnership - Provision of School Buildings* - The Council entered into a Public Private Partnership in 2007/08 for the provision of two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The provider is required to ensure the availability of these buildings to a pre-agreed standard. During 2014/15, £9.518m was paid to the contractor under the terms of the agreement.

*Common Good, Trusts and Bequests* - The Council acts as the sole Trustee and administers various Common Good funds relating to the areas of the six former burghs together with a number of charitable trusts and bequests. As part of the management arrangements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to these assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in return for the management of the asset. The Council remains responsible for all costs and any income relating to the asset and is entitled to the use of the asset. These funds do not represent assets available to the Council. Details of the Trusts and Bequests which require separate accounts and are subject to audit are shown on page 66.

*Group Accounts* - Local Authorities are required to prepare Group Accounts in addition to their own council's accounts where they have a material interest in other organisations. The Group Accounts consolidate the results of the Council with its share of entities shown below. The impact of their inclusion in the Group Balance Sheet is to increase both the "total assets less liabilities" and "total balances and reserves" by £17.516m representing the Council's share of the net assets in these entities. This reflects the combined pension position of these associates.

The following group entities have been incorporated into the Council's group accounts:

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

### *Additional Information*

Further information on the Council and access to the documents and links noted above can be found at [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk).

### *Acknowledgement*

The favourable financial position disclosed in the Annual Accounts has been achieved through the continued efforts of Elected Members and officers in every service to manage the resources made available to them effectively and efficiently. I am particularly grateful to staff in the Finance Service who have provided professional support to all services throughout the year and who have delivered these detailed Annual Accounts within a very challenging statutory timescale.

**Councillor Douglas Reid**

**Leader of the Council**

**24 September 2015**

**Fiona Lees**

**Chief Executive**

**24 September 2015**

**Alexander McPhee, ACMA**

**Depute Chief Executive & Chief Financial Officer**

**24 September 2015**

# Statement of Responsibilities

## The Authority's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Depute Chief Executive & Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Governance and Scrutiny Committee at its meeting on 24 September 2015.

**Councillor Douglas Reid**  
**Leader of the Council**  
**24 September 2015**

## The Chief Financial Officer's Responsibilities

The Depute Chief Executive & Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation);

The Depute Chief Executive & Chief Financial Officer has also:

- Kept adequate accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the local authority for the year ended 31 March 2015.

**Alexander McPhee**  
**Depute Chief Executive & Chief Financial Officer**  
**24 September 2015**

# Annual Governance Statement

## *Scope of Responsibility*

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

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

To this end, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA (Chartered Institute of Public Finance and Accountancy)/ SOLACE (Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish Authorities. A copy of the Code, the update on the 2014/15 Action Plan and the 2015/16 Action Plan can be downloaded from [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk). The Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA. The Code is reviewed and updated on an annual basis, most recently by the Governance and Scrutiny Committee on 18 June 2015.

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

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values, which direct and control the Council's activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic priorities and outcomes set out in the 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 2015 and will continue to be reviewed.

### **The Governance Framework**

Policy and decision making is conducted through a Cabinet structure, which was last reviewed in October 2009 and which includes a 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.

## Annual Governance Statement

The Governance and Scrutiny Committee is fully compliant with Audit Committee principles and full details of its responsibilities are available from [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk). The Governance and Scrutiny Committee undertakes the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities report by providing an independent and high-level resource to support good governance and strong public financial management within the Council. This includes the satisfaction that the Council's assurance statements are an accurate reflection of the current position, the internal audit function is effective and supported by committee and that risk management arrangements are considered effective.

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

The Council's system of internal financial control throughout the financial year 2014/15 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 financial reports which indicate financial performance against the forecasts and targets;
- Clearly defined capital expenditure guidelines;
- Performance relating to the Leisure Trust, Ayrshire Roads Alliance and Health and Social Care Partnership; and
- Formal project management disciplines, as appropriate.

The Council's approach to risk management is well embedded with a Corporate Risk Register supported by Departmental Risk Registers and regular reports are provided to the Council Management Team and Elected Members. The Council's business continuity strategy has been cascaded down through the organisation with each department and service holding individual business continuity plans.

In response to the challenges that emerged following the collapse of two opencast coal mine operators, the Scottish Coal Company Limited and Aardvark TMC Limited, the Council approved its Steps to Recovery Plan in September 2013 which strengthened Compliance Monitoring arrangements for current and future opencast coal mines, quarries, landfill sites, onshore wind farms and other similar developments.

In May 2014, Cabinet also agreed robust arrangements for the consideration and determination of financial guarantees relating to the decommissioning, restoration, aftercare and mitigation for such developments with the Council's Scheme of Delegation also being reviewed in 2014/15 to ensure that these operational improvements are consistent with and reflected in the Council's governance and decision making structures.

A Whistleblowing Policy and Code of Conduct for employees are in place and subject to annual review.

# Annual Governance Statement

An Elected Member Learning and Development Strategy has been agreed and job outlines for Elected Members, including Members of the Governance and Scrutiny 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. Taken together, these review activities ensure that the Council continues to provide a comprehensive response to the statutory requirements of Best Value.

The Council has a culture of continuous improvement and a well-established and comprehensive approach to self-evaluation and review is embedded in the Cabinet and the Governance and Scrutiny Committee arrangements. The Governance and Scrutiny Committee considers the reports and recommendations of external audit and inspection agencies and their implications for governance, and risk management or control, and supports effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourages the active promotion of the value of the audit process and review of the financial statements. The Committee considers the external auditor's opinion and reports to Members, and monitors management action in response to the issues raised by external audit.

The East Ayrshire Health and Social Care Partnership Strategic Plan / Business Plan was presented to Council in April 2015 and a separate report on the due diligence process was presented to the Integrated Joint Board also in April 2015. The report noted that the initial budget allocated to the Partnership is sufficient to deliver on the outcomes highlighted within the Strategic Plan.

## Statutory Roles

The Council's procedural documentation details the decision making structure. This includes Scheme of Delegation; Standing Orders; Standing Orders relating to contracts; Contract Procurement Protocol; Financial Regulations; Departmental Service Descriptions and the role of Elected Member portfolio holders. The 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 and requires the post holder to carry out the specified duties associated with this role, including responsibility, where it is appropriate, for setting out proposals and reporting to Council, in relation to the undernoted matters:

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

The Chief Governance Officer and Solicitor to the Council acts as Monitoring Officer and ensures that the Council acts within legal and statutory requirements. The Depute Chief Executive & Chief Financial Officer 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 CIPFA. Officer responsibilities are reflected in the Job Description for the Depute Chief Executive & Chief Financial Officer and the Council's Financial Regulations, which confirm that the Depute Chief Executive & Chief Financial Officer shall be responsible for the administration of the financial affairs of the Council and shall act as a financial adviser to the Council, Cabinet and all Committees.

The 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 role by ensuring the provision of effective, professional advice to Elected Members and officers in relation to the provision of social work services. As part of the Council response to the legislative changes brought about by the Public Bodies (Joint Working) (Scotland) Act 2014, the management of social work services were transferred to the Integration Joint Board with effect from April 2015.

# Annual Governance Statement

## Review of Effectiveness

During 2014/15, East Ayrshire Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both appropriate and effective in practice. Specifically, the Council's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is co-ordinated corporately and approved by the Executive Management Team, all chief officers have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, each chief officer is required to make an annual statement confirming that this is the case. The conclusion from this review was that the Council complies in full with the terms of the new Framework. This review is available from [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk) and notes the delivery of a number of key improvements.

The Internal Audit function within the Council is directly responsible to the Chief Executive for the independent appraisal of the Council's systems of internal control. During 2014/15 the Internal Audit section operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced on 1 April 2013. Internal Audit is subject to an annual review by the Council's external auditors to ensure that the section continues to operate according to good practice. The review for 2014/15 concluded that Internal Audit operates in line with the PSIAS. The Council's established internal control procedures were generally found to operate as intended for the individual systems reviewed by Internal Audit. A number of recommendations have been made by Internal Audit to further improve controls through action plans developed with management to address improvements. Internal Audit's overall opinion, based on the work carried out, is that reasonable assurance can be placed on the adequacy and effectiveness of the internal control systems to 31 March 2015. The objectives of internal control have been substantially met.

## Improvements Proposed

The system of governance (including the system of internal control) provides reasonable assurance that assets are safeguarded; transactions are authorised and properly recorded; material errors or irregularities are either prevented or would be detected within a timely period; and that significant risks impacting on the achievement of strategic priorities and outcomes have been mitigated. The review carried out in 2014/15 highlighted improvements that could be implemented in some areas. These are contained in the Corporate Governance Improvement Action Plan (CGIAP), for 2015/16 and a copy of the 2015/16 CGIAP can be downloaded from [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk). There were no significant governance issues during 2014/15.

## Conclusion

The Council considers the governance and internal control environment operating during 2014/15 to provide reasonable and objective assurance that significant risks impacting on the achievement of our principal strategic priorities and outcomes can be identified and actions taken to avoid or mitigate their impact. 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**  
**24 September 2015**

**Fiona Lees**  
**Chief Executive**  
**24 September 2015**

## Movement in Reserves Statement (MiRS)

This Statement shows the movement on the reserves for 2014/15, analysed into Usable and Unusable.

2014/15	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 Fund						
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2014	28.026	6.342	6.735	8.435	49.538	417.604	467.142	2.800	11.732	481.674
Surplus / (Deficit) on the Provision of Services	(27.661)	(4.895)	-	-	(32.556)	-	(32.556)	0.114	-	(32.442)
Other Comprehensive Income and Expenditure	-	-	-	-	-	(33.311)	(33.311)	-	2.869	(30.442)
<b>Adjustments between accounting basis and funding basis under Regulation</b>										
Depreciation of Non Current Assets	22.826	17.768	-	-	40.594	(40.594)	-	0.288	(0.288)	-
Impairment of Non Current Assets	22.389	6.818	-	-	29.207	(29.207)	-	-	-	-
Amortisation of Intangible Assets	0.041	0.006	-	-	0.047	(0.047)	-	-	-	-
Capital Grants and Contributions Applied	(10.159)	(8.464)	-	-	(18.623)	18.623	-	-	-	-
Differences relating to Financial Instruments required by statute	(0.278)	(0.115)	-	-	(0.393)	0.393	-	-	-	-
Differences relating to Officer Remuneration required by statute	0.379	0.018	-	-	0.397	(0.397)	-	-	-	-
Net Gain / Loss on Disposal of Fixed Assets	0.308	0.847	-	2.926	4.081	(4.081)	-	-	-	-
Net Charges for Retirement Benefits	28.082	3.031	-	-	31.113	(31.113)	-	-	-	-
Contributions to Pensions Fund	(16.505)	(1.485)	-	-	(17.990)	17.990	-	-	-	-
Repayment of Debt	(13.239)	(2.187)	-	-	(15.426)	15.426	-	-	-	-
Use of GF Capital Fund to Finance New Capital Expenditure	-	-	-	-	-	-	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	-	(2.173)	(2.173)	2.173	-	-	-	-
Capital Expenditure Funded in Year	(0.208)	(9.446)	-	-	(9.654)	9.654	-	-	-	-
<b>Increase / (Decrease) before Transfers</b>	<b>5.975</b>	<b>1.896</b>	<b>-</b>	<b>0.753</b>	<b>8.624</b>	<b>(74.491)</b>	<b>(65.867)</b>	<b>0.402</b>	<b>2.581</b>	<b>(62.884)</b>
Transfers to / from Capital Fund	0.350	-	-	(0.350)	-	-	-	-	-	-
Transfers to / from Other Statutory Reserves	(0.616)	0.880	(0.264)	-	-	-	-	(0.035)	0.035	-
Interest on Revenue Balances	(0.082)	(0.005)	0.039	0.048	-	-	-	-	-	-
<b>Increase / (Decrease) in 2014/15</b>	<b>5.627</b>	<b>2.771</b>	<b>(0.225)</b>	<b>0.451</b>	<b>8.624</b>	<b>(74.491)</b>	<b>(65.867)</b>	<b>0.367</b>	<b>2.616</b>	<b>(62.884)</b>
<b>Balance at 31 March 2015</b>	<b>33.653</b>	<b>9.113</b>	<b>6.510</b>	<b>8.886</b>	<b>58.162</b>	<b>343.113</b>	<b>401.275</b>	<b>3.167</b>	<b>14.348</b>	<b>418.790</b>

## Movement in Reserves Statement (MiRS)

This Statement shows the movement on the reserves for 2013/14, analysed into Usable and Unusable.

2013/14	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 Fund						
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013	35.446	3.283	8.280	12.694	59.703	417.666	477.369	2.495	13.144	493.008
Surplus / (Deficit) on the Provision of Services	(21.565)	(11.579)	-	-	(33.144)	-	(33.144)	(0.059)	-	(33.203)
Other Comprehensive Income and Expenditure	-	-	-	-	-	22.918	22.918	-	(1.048)	21.870
<b>Adjustments between accounting basis and funding basis under Regulation</b>										
Depreciation of Non Current Assets	21.396	17.216	-	-	38.612	(38.612)	-	0.149	(0.149)	-
Impairment of Non Current Assets	5.197	5.121	-	-	10.318	(10.318)	-	-	-	-
Amortisation of Intangible Assets	0.041	0.003	-	-	0.044	(0.044)	-	-	-	-
Capital Grants and Contributions Applied	(7.387)	-	-	-	(7.387)	7.387	-	-	-	-
Differences relating to Financial Instruments required by statute	(0.259)	(0.090)	-	-	(0.349)	0.349	-	-	-	-
Differences relating to Officer Remuneration required by statute	1.211	0.009	-	-	1.220	(1.220)	-	-	-	-
Net Gain / Loss on Disposal of Fixed Assets	0.406	2.323	-	1.651	4.380	(4.380)	-	-	-	-
Net Charges for Retirement Benefits	22.975	2.616	-	-	25.591	(25.591)	-	-	-	-
Contributions to Pensions Fund	(15.479)	(1.451)	-	-	(16.930)	16.930	-	-	-	-
Repayment of Debt	(15.951)	(2.044)	-	-	(17.995)	17.995	-	-	-	-
Use of GF Capital Fund to Finance New Capital Expenditure	-	-	-	(2.341)	(2.341)	2.341	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	-	(1.379)	(1.379)	1.379	-	-	-	-
Capital Expenditure Funded in Year	(0.868)	(9.936)	-	-	(10.804)	10.804	-	-	-	-
<b>Increase / (Decrease) before Transfers</b>	<b>(10.283)</b>	<b>2.188</b>	<b>-</b>	<b>(2.069)</b>	<b>(10.164)</b>	<b>(0.062)</b>	<b>(10.226)</b>	<b>0.090</b>	<b>(1.197)</b>	<b>(11.333)</b>
Transfers to / from Capital Fund	2.190	-	-	(2.190)	-	-	-	-	-	-
Transfers to / from Other Statutory Reserves	0.705	0.880	(1.585)	-	-	-	-	0.215	(0.215)	-
Interest on Revenue Balances	(0.031)	(0.009)	0.040	-	-	-	-	-	-	-
<b>Increase / (Decrease) in 2013/14</b>	<b>(7.419)</b>	<b>3.059</b>	<b>(1.545)</b>	<b>(4.259)</b>	<b>(10.164)</b>	<b>(0.062)</b>	<b>(10.226)</b>	<b>0.305</b>	<b>(1.412)</b>	<b>(11.333)</b>
<b>Balance at 31 March 2014</b>	<b>28.026</b>	<b>6.342</b>	<b>6.735</b>	<b>8.435</b>	<b>49.538</b>	<b>417.604</b>	<b>467.143</b>	<b>2.800</b>	<b>11.732</b>	<b>481.675</b>

## Comprehensive Income and Expenditure Statement (CIES)

This shows the accounting cost of providing services in accordance with Generally Accepted Accounting Practices, rather than the amount to be funded from taxation. The Council uses funds raised from taxation to cover expenditure and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. It should be noted that the classification of services in this statement complies with that prescribed by the Service Reporting Code of Practice (SeRCOP) and differs from the management structure of the Council.

		2013/14					2014/15	
		EAC	Group				EAC	Group
£m	£m	£m	£m			£m	£m	
Exp	Income	Net	Net	Operating	Exp	Income	Net	Net
130.624	(4.956)	125.668	125.668	Education Services	141.673	(5.131)	136.542	136.542
94.997	(15.992)	79.005	79.005	Social Work	94.062	(16.617)	77.445	77.445
20.757	(3.868)	16.889	16.889	Roads and Transportation	30.221	(12.824)	17.397	17.397
16.718	(2.775)	13.943	14.092	Cultural and Related Services	17.553	(2.402)	15.151	15.439
17.028	(3.946)	13.082	13.082	Environmental Services	17.300	(3.305)	13.995	13.995
57.685	(46.923)	10.762	10.762	Other Housing Services	58.818	(48.061)	10.757	10.757
44.551	(40.349)	4.202	4.202	Housing Revenue Account	48.938	(42.492)	6.446	6.446
11.858	(4.371)	7.487	7.487	Planning and Development	11.047	(3.998)	7.049	7.049
3.954	-	3.954	3.954	Corporate and Democratic Core	4.028	-	4.028	4.028
0.327	-	0.327	0.327	Non Distributed Costs	1.901	-	1.901	1.901
4.812	(3.514)	1.298	1.298	Central Services to the Public	5.226	(4.429)	0.797	0.797
403.311	(126.694)	276.617	276.766	<b>Net Cost Of Services</b>	430.767	(139.259)	291.508	291.796
		2.730	2.730	(Gain) / Losses on disposals of assets			1.155	1.155
		279.347	279.496	<b>Net Operating Expenditure</b>			292.663	292.951
		(39.810)	(39.810)	Income from Council Tax			(40.535)	(40.535)
		(194.950)	(194.950)	Government Grants (not service specific)			(196.782)	(196.782)
		(28.547)	(28.547)	Distribution from NDR Pool			(31.060)	(31.060)
		(7.387)	(7.387)	Capital Grants & Contributions		Note 7	(18.623)	(18.623)
		(270.694)	(270.694)	<b>Taxation &amp; Non Specific Grant Income</b>			(287.000)	(287.000)
		8.653	8.802	<b>Net Operating Costs</b>			5.663	5.951
		(24.564)	(24.564)	<b>Expenditure</b>			(24.926)	(24.926)
		-	(0.088)	Expected Return on Pension Assets			-	(0.400)
		(0.467)	(0.469)	Services of Associates and Joint Ventures		Note 28	(0.680)	(0.682)
		17.906	17.906	Interest and Investment Income			19.612	19.612
		31.616	31.616	Interest Payable and similar charges			32.887	32.887
		33.144	33.203	Pension Interest Cost			32.887	32.887
				<b>(Surplus) or Deficit on the Provision of Services</b>			32.556	32.442
		(40.666)	(40.541)	(Surplus) or deficit on revaluation of fixed assets		Note 15	(5.476)	(9.411)
		-	-	(Surplus) or deficit on revaluation of available for sale financial assets		Note 28	(0.002)	(0.002)
		17.749	17.749	Actuarial loss on pension assets / liabilities		Note 14	38.789	38.789
		-	0.923	Expenditure of Associates and Joint Ventures			-	1.066
		10.227	11.334	<b>Total Comprehensive (Income) / Expenditure</b>			65.867	62.884

## Balance Sheet

This shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported as Usable and Unusable. Usable Reserves are those that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves are those that the Council is not able to use to provide services and includes reserves that 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 shown in the MiRS line adjustments between accounting basis and funding basis under regulations.

31-Mar-14				31-Mar-15	
EAC	Group			EAC	Group
£m	£m			£m	£m
938.180	944.749	Property, Plant & Equipment	<i>Note 15</i>	924.871	935.087
57.500	57.500	Heritage Assets	<i>Note 22</i>	57.500	57.500
0.052	0.052	Intangible Assets	<i>Note 20</i>	0.075	0.075
-	8.346	Investments in Associates and Joint Ventures		-	8.223
0.024	0.024	Non Current Receivables (Long Term Debtors)	<i>Note 28</i>	0.023	0.023
<b>995.756</b>	<b>1,010.671</b>	<b>Non Current Assets</b>		<b>982.469</b>	<b>1,000.908</b>
7.303	7.303	Short Term Investments	<i>Note 28</i>	65.095	65.095
1.300	1.300	Inventories	<i>Note 23</i>	1.277	1.277
27.884	27.884	Debtors	<i>Note 24</i>	26.356	26.356
1.918	1.918	Assets Held for Sale	<i>Note 21</i>	0.578	0.578
17.094	17.094	Cash and Cash Equivalents	<i>Note 26</i>	27.475	27.475
<b>55.499</b>	<b>55.499</b>	<b>Current Assets</b>		<b>120.781</b>	<b>120.781</b>
(13.622)	(13.413)	Short Term Borrowing		(14.634)	(14.423)
(54.882)	(54.882)	Creditors (including Provisions and Grants Receipts in Advance)	<i>Note 25</i>	(63.477)	(63.477)
<b>(68.504)</b>	<b>(68.295)</b>	<b>Current Liabilities</b>		<b>(78.111)</b>	<b>(77.900)</b>
(182.704)	(182.704)	Pension Liabilities	<i>Note 14</i>	(234.616)	(234.616)
(63.424)	(63.424)	Deferred Liabilities	<i>Note 28</i>	(61.360)	(61.360)
(269.481)	(269.481)	Long Term Borrowing	<i>Note 28</i>	(327.888)	(327.888)
-	(0.592)	Liabilities in Associates and Joint Ventures		-	(1.135)
<b>(515.609)</b>	<b>(516.201)</b>	<b>Non Current Liabilities</b>		<b>(623.864)</b>	<b>(624.999)</b>
<b>467.142</b>	<b>481.674</b>	<b>Net Assets</b>		<b>401.275</b>	<b>418.790</b>
49.538	49.538	Usable Reserves (Available to Fund Services)	<i>MiRS</i>	58.162	58.162
-	2.800	Share of Usable Reserves of Associates and Joint Ventures		-	3.167
417.604	417.604	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	<i>Note 32</i>	343.113	343.113
-	11.732	Share of Unusable Reserves of Associates and Joint Ventures		-	14.348
<b>467.142</b>	<b>481.674</b>	<b>Net Reserves</b>		<b>401.275</b>	<b>418.790</b>

### Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 25 June 2015 and the audited accounts were authorised for issue on 24 September 2015.

**Alexander McPhee ACMA**  
**Depute Chief Executive & Chief Financial Officer**  
**24 September 2015**

## Cash Flow Statement

This shows the changes in cash and cash equivalents during year and reflects how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2013/14			2014/15	
EAC	Group		EAC	Group
£m	£m		£m	£m
33.144	33.203	(Surplus) / Deficit on Comprehensive Income and Expenditure Statement	32.556	32.442
-	0.088	Surplus / (Deficit) attributable to Associates and Joint Ventures		0.400
33.144	33.291	(Surplus) / Deficit on the Provision of Services	32.556	32.842
(48.975)	(48.850)	<b>Non Cash Items in the Comprehensive Income and Expenditure Statement</b>		
(4.045)	(4.045)	Depreciation and Impairment	(69.848)	(73.783)
(0.335)	(0.335)	Carrying Amount of Fixed Assets Sold <i>Note 15</i>	(4.081)	(4.081)
(8.661)	(8.661)	Carrying Amount of Assets Held for Sale Sold in Year	-	-
0.001	0.001	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations <i>Note 14</i>	(13.123)	(13.123)
(0.028)	(0.028)	Available for Sale Financial Instruments - Fair Value Adjustment	(0.002)	(0.002)
		EIR Stepped Loan Adjustment	0.015	0.015
(62.043)	(61.918)		(87.039)	(90.974)
0.056	0.056	<b>Changes in Working Capital</b>		
11.938	11.936	Increase / (Decrease) in Stock and Work in Progress <i>Note 23</i>	(0.023)	(0.023)
(8.205)	(8.205)	Increase / (Decrease) in Debtors	56.262	56.260
		(Increase) / Decrease in Creditors	(8.968)	(8.968)
3.789	3.787		47.271	47.269
(4.311)	(4.311)	<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>		
7.387	7.387	Net (Increase) / Decrease in Short Term Deposits	(57.792)	(57.792)
1.651	1.651	Capital Grants Applied	18.623	18.623
		Sale of Fixed Assets	2.926	2.926
4.727	4.727		(36.243)	(36.243)
(20.383)	(20.113)	<b>Net Cash Outflow / (Inflow) from Operating Activities</b>	(43.455)	(47.106)
41.288	41.288	<b>Investing Activities</b>		
4.310	4.310	<b>Cash Outflows:</b> Purchase of Fixed Assets <i>Note 15</i>	53.827	53.827
		Increase in Short Term Deposits	57.792	57.792
45.598	45.598		111.619	111.619
(1.651)	(1.651)	<b>Cash Inflows:</b> Sale of Fixed Assets <i>Note 6</i>	(2.926)	(2.926)
(7.387)	(7.387)	Capital Grants Received <i>Note 7</i>	(18.623)	(18.623)
(9.038)	(9.038)		(21.549)	(21.549)
36.560	36.560	<b>Net Cash Outflow / (Inflow) from Investing Activities</b>	90.070	90.070
1.808	1.808	<b>Financing</b>		
(13.817)	(13.817)	<b>Cash Outflows:</b> Capital Element of Finance Lease Rental Payments	1.840	1.840
		<b>Cash Inflows:</b> New Loans Raised	(58.836)	(58.836)
(12.009)	(12.009)	<b>Net Cash Outflow / (Inflow) from Financing Activities</b>	(56.996)	(56.996)
4.168	4.438	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	(10.381)	(14.032)
21.262	21.262	Cash and Cash Equivalents at the start of the reporting period <i>Note 26</i>	17.094	16.824
17.094	16.824	Cash and Cash Equivalents at the end of the reporting period <i>Note 26</i>	27.475	30.856

*Note to Cash Flow Statement* – Included in Operating Activities is Interest paid in year of £19.321m; (2013/14, £17.648m) and Interest received in year £0.680m; (2013/14, £0.444m).

# Notes to the Financial Statements

## Note 1 – Accounting Policies

### 1.1 General Principles

The Financial Statements summarise the Council's transactions for the 2014/15 financial year and its position as at 31 March 2015. Relevant figures for the 2013/14 financial year are disclosed as appropriate for the purpose of comparison. The Council is required to prepare annual Financial Statements 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 2014/15 (The Accounting Code)* and the *CIPFA Service Reporting Code of Practice (SeRCOP)*, supported by *International Financial Reporting Standards (IFRS)*. These are designed to give a "true and fair view" of the financial performance of the Council and its Group.

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

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

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

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non/current assets and financial instruments.

### 1.2 Accruals of Income and Expenditure

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

- Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Income includes all sums due to the Council for the year of account. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received. An appropriate provision has been made for bad and doubtful debts.
- Expenses (including services provided by employees) in relation to services are recorded on an accruals basis. Where supplies are received and there is a gap between the date received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months of the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. Cash and cash equivalents are shown in the Balance Sheet and Cash Flow Statement net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

# Notes to the Financial Statements

## *1.4 Material Items and Prior Period Adjustments*

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

## *1.5 Charges to Revenue for Non-Current Assets*

Services are charged with the following amounts to record the cost of holding fixed assets during the year:

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

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

## *1.6 Employee Benefits*

*Benefits Payable During Employment* - Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or any form of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

*Termination Benefits* - Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged to the CIES when the Council is demonstrably committed to a termination, when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal and agreement to the termination has been granted by Cabinet.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

*Post Employment Benefits* - The Council participates in two separate pension schemes, the Local Government Pension Scheme, which is administered by Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

## Notes to the Financial Statements

The arrangements for the Teachers' Scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The Scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Services line in the CIESs is charged with the employer's contributions payable to teachers' pensions in the year. The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate utilised by the actuaries to place a value on the liability. The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property. The change in the net pensions liability is accounted for as required by International Accounting Standard 19 Employee Benefits. Explanation of terms used are contained in the Glossary section at the final section of this document.

In relation to retirement benefits, Scottish Government Regulations require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

*Discretionary Benefits* - The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Strathclyde Pension Fund.

### **1.7 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Borrowings presented in the Balance Sheet comprise the outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the CIES, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

# Notes to the Financial Statements

## **1.8 Financial Assets**

Financial assets are classified into two types:

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

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council's short-term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

## **1.9 Government Grants and Contributions**

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the CIES. In cases where the condition of grant cannot be satisfied by the Council, then the monies will be returned to the transferor.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## **1.10 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (i.e. software licences) is capitalised when it is expected that it will bring the Council benefits for more than twelve months. Intangible assets are initially measured at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (assessed as between one to six years) to the relevant service lines in the CIES. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

# Notes to the Financial Statements

## 1.11 Inventories

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

## 1.12 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

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

## 1.13 Overheads and Support Services

Costs of overheads and support services are charged using the total absorption costing principle to those that benefit from the supply or service which is in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP) with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These cost categories are defined in SeRCOP and accounted separately in the CIES, as part of Net Expenditure. All overheads not defined as Corporate and Democratic Core or Non-Distributed Costs are fully charged to service expenditure headings. A proportion of the costs of central support services is also recharged to capital projects.

## 1.14 Property, Plant and Equipment

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

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

## Notes to the Financial Statements

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

*Measurement:* Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. Where non-property assets have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but as a minimum every five years. The Council revalues its land and buildings in a rolling five-yearly programme. The valuations have been compiled within the statutory 5-year rolling programme by RICS professional staff under the direction of the Depute Chief Executive & Chief Financial Officer. Surplus assets held for sale are not exempt from depreciation. The Council's dwelling stock was revalued at 1 April 2013 in line with the revaluation policy.

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

*Impairment:* Officers of the Council, as part of their normal duties, report at the end of the financial year on any material events that affect the value of assets. Where indications exist that an asset may be impaired and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are initially debited to the Revaluation Reserve up to the total value of any revaluation gains held for the individual asset. Thereafter impairment losses are recognised against the relevant service lines in the CIES. Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

*Depreciation:* Depreciation is provided for on all Property, Plant and Equipment (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).

## Notes to the Financial Statements

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

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

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

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

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

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

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

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

When these criteria are met, assets within the category of PPE will be reclassified to be Assets Held for Sale. The date of reclassification will normally follow the approval by Cabinet to sell the asset. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the CIES also as part of the gain or loss on disposal i.e. netted-off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

# Notes to the Financial Statements

## 1.15 Heritage Assets

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

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

Heritage Assets do not include:

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

Heritage Assets are presented separately in the Balance Sheet from other property plant and equipment assets. The notes to the Financial Statements identify the classes of heritage assets being reported at cost and those at valuation. The valuation of Heritage Assets is based upon information held in catalogues or inventories maintained within the Council.

A considerable number of heritage assets (such as collections that have primarily a scientific and cultural value rather than a financial one, public space, statues, monuments, memorials, fountains, and outdoor artworks) are not recognised in the balance sheet. The Council does not consider that reliable cost of valuation information can be obtained for the vast majority of items held. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values.

## 1.16 Public Finance Initiative

Public Finance Initiative (PFI) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI operator. As the Council is deemed to control the services that are provided under its schools PFI scheme and as ownership of the schools will pass to the Council at the end of the contracts for no additional charge, the accounting regulations (*IFRIC12 Service Concession Arrangements*) require that the Council recognises the assets under the contract as part of Property, Plant and Equipment on its Balance Sheet.

The original recognition of the schools PFI assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The schools PFI assets are revalued and depreciated in the same way as other non-current assets owned by the Council.

The amounts payable to the PFI operator each year are analysed into:

- The service charge element and life-cycle replacement costs, charged to the Education service in the CIES.
- The interest element, charged to the Financing and Investment Income and Expenditure line 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 line in the CIES.
- The repayment of the liability, applied to reduce the Balance Sheet liability owed to the operator.

# Notes to the Financial Statements

## ***1.17 Provisions and Contingent Liabilities***

Provisions are made where a past event creates a legal or constructive obligation for the Council which may require settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities (and Assets) are not recognised in the Balance Sheet but disclosed in a Note to the Financial Statements where they are deemed material.

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

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

## ***1.19 Interests in Companies and Other Entities***

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

## ***1.20 Reserves***

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

## Notes to the Financial Statements

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

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

The two reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former of these represents the store of gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The two reserves arising from accounting for financial instruments are the Available for Sale Financial Instrument Reserve and the Financial Instruments Adjustment Account. The former contains the gains made by the Council arising from increases in the value of its investments and the latter is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council.

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

The Accumulated Absences Reserve arises from IAS 19 accounting disclosures for Short Term Accumulated Benefits and recognises the Council's liability for compensated absences earned by staff but not taken in the year. The Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Reserve.

### **1.21 VAT**

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

### **1.22 Events After the Balance Sheet Date**

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

# Notes to the Financial Statements

## *Note 2 – Accounting Standards Issued not Adopted*

The Code requires the disclosure of information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted. This applies to the following new or amended standards within the 2014/15 Code;

- IFRS 13 Fair Value Measurement (May 2011) IFRS 11 Joint Arrangements (May 2011)
- IFRS 21 Levies
- Annual Improvements to IFRS 2010-2012 Cycle
- Annual Improvements to IFRS 2011-2013 Cycle

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Annual Accounts. IFRS 13 provides a common definition of fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The main impact is likely to be on the valuation of Surplus Assets requiring to be measured at 'highest and best use'. IFRS 21 examines the obligating event that gives rise to the recognition of a liability to pay a levy. The IFRS improvements are generally minor, principally providing clarification.

## *Note 3 – Critical Judgements in Applying Accounting Policies*

The preparation of the consolidated Annual Accounts requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 1 and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The critical judgements made in the Annual Accounts are:

- Management judgement was applied to assess the impact of the Council's involvement in the opencast mines within East Ayrshire within the Financial Statements. After consideration and having regard to relevant legal outcomes, the appropriate accounting standards and subsequent tests it is considered that no liability rests with the Council.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets that might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Unused holiday entitlement earned at 31 March 2015 but not taken at that date has been quantified on the basis of a 10.85% sample of all non term time Council employees. The sample is representative of the payroll population and is proportionate to the number of staff within each grade. However, due to the nature of the sample taken, there may be an element of uncertainty in the final calculation. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement earned as at 31 March 2015 and no estimation is required for these staff. The liability for 2014/15 in respect of the holiday pay accrual is £7.750m.

## *Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty*

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However balances cannot be determined with certainty therefore actual results could be materially different from the assumptions and estimates.

## Notes to the Financial Statements

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- 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 pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured for instance, a 0.5% decrease in the discount rate would result in an increase in the pension liability of £101.077m. However, the assumptions interact in complex ways. During 2014/15, the Pension Fund's actuaries advised that the Council's share of the net pension liability has increased by £51.912m as a result of estimates being corrected as a result of experience.
- At 31 March 2015, the Council had a balance of sundry debtors of £11.729m. A review of significant balances suggested that an allowance for doubtful debts of 34.8% (£4.083m) was appropriate. In terms of financial modelling a 1% increase in the allowance would lead to an additional cost to the Council of £0.115m.
- A number of Equal Pay claims have been received by the Council covering the period prior to the introduction of Single Status within East Ayrshire Council and the four year pay protection period which followed. Although these claims have still to be subject to Employment Tribunal hearings there is uncertainty due to the lack of Scottish case authority and therefore provision has been made on the basis of potential estimated liabilities. If the estimation is understated or additional claims are received then further funding may be required.
- The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PFI schemes and similar arrangements have been applied and the assets under the contract are included within Property, Plant and Equipment on the Council's Balance Sheet. In terms of financial modelling, RPI and RPIX indices are used. Any increase in these indices above that set in the funding model will require the Council to identify and allocate additional funding to the Scheme.

### *Note 5 – Events after the Balance Sheet Date*

The unaudited Financial Statements were approved by a meeting of the Council on 25 June 2015. The Depute Chief Executive & Chief Financial Officer, being the responsible officer for the Council's affairs, signed the unaudited Financial Statements on 25 June 2015. Events taking place after this date are not reflected in the Annual Accounts or notes.

### *Note 6 – Material Items of Income and Expense*

During 2014/15 the Council disposed of assets and achieved capital receipts totalling £2.926m. The carrying value of these assets on the Balance Sheet was £4.081m. In the year the Council received £13.901m in restructuring bonds in respect of the open cast coal mining sites and the funds have been held by the Council in an earmarked fund for future use.

On 1 April 2014 Ayrshire Roads Alliance was created as a partnership between East Ayrshire Council and South Ayrshire Council to provide a shared roads and transportation service for both Councils. East Ayrshire Council employs all staff and managed the service in a provider / purchaser arrangement. The CIES contains consolidated costs relating to the service.

The Council Participates in the Carbon Reduction Scheme and has purchased allowances prospectively in April 2015 for the years 2015/16 (100% purchased), 2016/17 (100%) and 2017/18 (50%). The cost was £0.906m and will be accounted for in 2015/16.



## Notes to the Financial Statements

### Note 8 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service in the CIES is specified by the SeRCOP. However, decisions about resource allocation are taken by the Council on the basis of budget reports, prepared on a different basis from that used in the CIES. In particular, no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES). The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for within the department it relates to.

*Segmental Reporting Disclosure* - The income and expenditure of the Council's principal departments is as follows:

2013/14 Total £m		Education £m	Integrated Health & Social Care £m	Neighbourhood Services £m	Finance and Corporate Support £m	Total General Fund £m	Housing Revenue Account £m	Total £m
<b>2013/14</b>								
	Total Income	(6.657)	(15.177)	(15.745)	(6.082)	(43.661)	(49.206)	(92.867)
	Total Operating Expenses	124.124	78.353	49.933	28.477	280.887	46.147	327.034
	<b>Cost of Services</b>	<b>117.467</b>	<b>63.176</b>	<b>34.188</b>	<b>22.395</b>	<b>237.226</b>	<b>(3.059)</b>	<b>234.167</b>
<b>2014/15</b>								
(87.802)	Fees, Charges & Other Income	(5.932)	(14.195)	(22.210)	(5.671)	(48.008)	(51.553)	(99.561)
(5.065)	Government Grants	(0.507)	(1.929)	(2.038)	(0.884)	(5.358)	-	(5.358)
(92.867)	<b>Total Income</b>	<b>(6.439)</b>	<b>(16.124)</b>	<b>(24.248)</b>	<b>(6.555)</b>	<b>(53.366)</b>	<b>(51.553)</b>	<b>(104.919)</b>
167.985	Employees	83.299	35.722	20.327	18.289	157.637	12.048	169.685
23.753	Premises	6.880	1.391	1.460	7.094	16.825	6.452	23.277
11.166	Transport	4.662	1.021	3.234	0.154	9.071	1.641	10.712
26.596	Supplies and Services	7.422	1.286	12.429	4.544	25.681	6.485	32.166
71.423	Third Party Payments	14.813	37.519	19.116	0.242	71.690	2.814	74.504
9.141	Transfer Payments	0.851	7.974	-	0.978	9.803	-	9.803
16.422	Other Operating Expenses	0.500	1.145	2.686	0.274	4.605	15.277	19.882
0.548	Support Service Recharges	-	-	(0.005)	(3.647)	(3.652)	4.064	0.412
327.034	<b>Total Operating Expenses</b>	<b>118.427</b>	<b>86.058</b>	<b>59.247</b>	<b>27.928</b>	<b>291.660</b>	<b>48.781</b>	<b>340.441</b>
234.167	<b>Cost of Services</b>	<b>111.988</b>	<b>69.934</b>	<b>34.999</b>	<b>21.373</b>	<b>238.294</b>	<b>(2.772)</b>	<b>235.522</b>

### Reconciliation to Net Cost of Service in Comprehensive Income and Expenditure Statement

2013/14 £m		2014/15 £m	2014/15 £m
234.167	<b>Cost of Services Analysis</b>		235.522
	<b>Services not included in the Analysis</b>		
36.481	Central Services		24.191
	<b>Amounts not reported in the Management Accounts</b>		
1.609	Pensions Adjustments	5.162	
1.220	Accumulated Absences Adjustments	0.397	
13.064	Capital and Financing Charges	35.010	40.569
	<b>Amounts reported in the Management Accounts not included on CIES</b>		
(10.804)	CFCR	(9.654)	
0.880	Transfers to/from Reserves	0.880	(8.774)
276.617	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>		291.508

## Notes to the Financial Statements

### Reconciliation to Comprehensive Income and Expenditure Statement

2013/14 Total		Service Analysis	Services not in Analysis	Not reported in Management Accounts	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
£m		£m	£m	£m	£m	£m	£m	£m	£m
(87.431)	Fees, Charges & Other Income	(99.561)	(1.710)	-	-	2.320	(98.951)	-	(98.951)
(0.467)	Interest and Investment Income	-	-	-	-	-	-	(0.680)	(0.680)
(39.810)	Income from Council Tax	-	-	-	-	-	-	(40.535)	(40.535)
(279.242)	Government Grants	(5.358)	(53.708)	-	-	-	(59.066)	(246.465)	(305.531)
(406.950)	<b>Total Income</b>	<b>(104.919)</b>	<b>(55.418)</b>	<b>-</b>	<b>-</b>	<b>2.320</b>	<b>(158.017)</b>	<b>(287.680)</b>	<b>(445.697)</b>
163.306	Employees Related Expenditure	169.685	3.790	0.397	-	(17.519)	156.353	-	156.353
158.663	Other Service Expenditure	170.344	76.879	(39.330)	(8.774)	(20.022)	179.097	-	179.097
30.658	Support Service Recharges	0.412	(1.060)	-	-	35.221	34.573	-	34.573
48.975	Capital Charges	-	-	69.848	-	-	69.848	-	69.848
10.804	CFCR	-	-	9.654	-	-	9.654	-	9.654
31.616	Pension Interest Costs	-	-	-	-	-	-	32.887	32.887
(24.564)	Expected Return on Pension	-	-	-	-	-	-	(24.926)	(24.926)
17.906	Interest Payments	-	-	-	-	-	-	19.612	19.612
2.730	Loss on Disposal of Fixed Assets	-	-	-	-	-	-	1.155	1.155
440.094	<b>Total Operating Expenses</b>	<b>340.441</b>	<b>79.609</b>	<b>40.569</b>	<b>(8.774)</b>	<b>(2.320)</b>	<b>449.525</b>	<b>28.728</b>	<b>478.253</b>
33.144	(Surplus) or Deficit on the Provision of Services	235.522	24.191	40.569	(8.774)	-	291.508	(258.952)	32.556

#### Note 9 – External Audit Costs

The Council has incurred £0.282m (£0.280m 2013/14) in relation to the audit of the annual Accounts and the certification of grant claims provided by the Council's external auditors. In addition £0.002m will be levied by Audit Scotland in respect of the audit of the Trusts noted on Page 66.

#### Note 10 – Agency Services

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2014/15 the Council received £0.436m for providing this service (2013/14 £0.319m). The Council also acts as agent on behalf of the Scottish Government in respect of the collection of Non-Domestic Rates.

#### Note 11 – PPP and Similar Contracts

The Council entered into a Public Private Partnership for the provision of school buildings, maintenance and other facilities. The agreement provides two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The contractor is required to ensure the availability of the buildings to a pre-agreed standard. The buildings and any plant and equipment installed in them at the end of the contract will transfer to the Council for no cost. The schools became operational during 2007/08 and 2008/09 and the resultant assets and liabilities have been recognised on the Balance Sheet. Movements in the value are detailed in the Property, Plant and Equipment Note 16 on page 39. The Council makes payment by way of a monthly unitary charge over the term of the agreement, which is increased each year by an inflationary element based on RPI and RPIX at January of each year, and which can be reduced if the contractor fails to meet availability and performance standards. The unitary charge includes the repayment of construction costs, interest and service charges and the projected payments due under the agreement, based on assumed RPI and RPIX of 2.5% per annum.

## Notes to the Financial Statements

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2015/16	3.508	2.065	4.173	9.746
Payable within two to five years	18.354	6.699	15.930	40.983
Payable within six to ten years	25.790	10.256	20.074	56.120
Payable within eleven to fifteen years	30.832	11.880	18.920	61.632
Payable within sixteen to twenty years	30.439	17.971	20.711	69.121
Payable within twenty one to twenty five years	18.642	14.554	13.336	46.532
<b>Total</b>	<b>127.565</b>	<b>63.425</b>	<b>93.144</b>	<b>284.134</b>

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

2013/14 £m		2014/15 £m
67.071	Balance outstanding at start of year	65.264
(1.807)	Payments during the year	(1.839)
65.264	Balance outstanding at year-end	63.425

### Note 12 – Operating Leases

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

31 March 2014 £m		31 March 2015 £m
1.042	Not later than one year	1.172
2.870	Later than one year and not later than five years	2.969
6.007	Later than five years	5.402
9.919		9.543

The expenditure charged to the Net Cost of Services in the CIES during the year in relation to these leases was £1.241m (£1.441m in 2013/14).

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

31 March 2014 £m		31 March 2015 £m
0.664	Not later than one year	0.557
1.215	Later than one year and not later than five years	1.214
4.021	Later than five years	4.160
5.900		5.931

## Notes to the Financial Statements

### *Note 13 – Pension Schemes Accounted for as Defined Contribution Pension Schemes*

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. Unlike the Local Government Scheme, the Council is not required to apply IAS 19 disclosures in respect of the Teachers' Superannuation Scheme as the liability for payment of pensions rests ultimately with the Scottish Government. Therefore, the costs recorded within the CIES in respect of this scheme are the actual contributions made during the year. For the purposes of the Financial Statements, this scheme is, therefore, accounted for on the same basis as a defined contribution scheme.

Contributions by the Council in 2014/15 amounted to £6.603m, representing 14.9% of pensionable pay (2013/14 £6.434m, 15.1% of pensionable pay). In addition, contributions totalling £0.805m, 1.9% of pensionable pay, were made in respect of discretionary payments (2013/14 £0.543m, 1.3% of pensionable pay). The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

### *Note 14 – Pension Schemes Accounted for as Defined Benefit Pension Schemes*

#### *Participation in Pension Schemes*

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Superannuation (Scotland) Scheme, the Strathclyde Pension Scheme, administered by Glasgow City Council on behalf of the scheduled and admitted bodies in the West of Scotland. This is a funded defined benefit final salary scheme, meaning that employees and the Council pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Council has additional liabilities for unfunded discretionary pension payments outside the main scheme.

The Strathclyde Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Glasgow City Council. Policy is determined in accordance with the Pensions Fund Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which appoints a number of external investment managers/partners and monitors their investment performance.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

#### *Transactions Relating to Post Employment Benefits*

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the MiRS.

## Notes to the Financial Statements

The following transactions have been made in 2014/15 and the prior year 2013/14;

2013/14 £m	Local Government Pension Scheme <i>Comprehensive Income and Expenditure Statement (CIES)</i>	2014/15 £m
	<i>Cost of Services:</i>	
18.212	Current service costs	21.251
1.828	Past service costs (including curtailments)	1.901
(1.501)	Unfunded Benefits	-
	<i>Financing and Investing Income and Expenditure:</i>	
7.052	Net Interest Expense	7.961
25.591	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	31.113
	<i>Other Post Employment Benefit Charged to the CIES:</i>	
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
(12.008)	Expected return on pension fund assets	(40.936)
-	Actuarial (gains) or losses arising on changes on demographic assumptions	22.144
29.685	Actuarial (gains) or losses arising on changes on financial assumptions	87.468
0.072	Actuarial (gains) or losses arising from other experience	(29.887)
43.340	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	69.902
	<i>Movement in Reserves Statement (MiRS)</i>	
(26.410)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(51.912)
16.930	Employers' contributions payable to Strathclyde Pension Fund	17.990

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

2013/14 £m		2014/15 £m
(709.112)	Opening balance at 1 April	(762.975)
(18.212)	Current Service Cost	(21.251)
(31.616)	Interest Cost	(32.887)
(4.480)	Contributions from scheme Participants	(4.608)
	Re-measurement gains and (losses)	
-	Actuarial gains / (Losses) from changes in demographic assumptions	(22.144)
(29.685)	Actuarial gains / (Losses) from changes in financial assumptions	(87.468)
(0.072)	Actuarial gains / (Losses) from other experience	29.887
(1.828)	Past service cost	(1.901)
11.307	Settlements and Curtailments	-
20.723	Benefits Paid	22.970
(762.975)	Closing balance at 31 March	(880.377)

### Pension Assets and Liabilities on the Balance Sheet

2013/14 £m		2014/15 £m
(762.975)	Present Value of The Defined Benefit Obligation *	(880.377)
580.271	Fair Value of Pension Fund Assets	645.761
(182.704)	Net Liability arising from Defined Benefit Obligation	(234.616)
	*Unfunded Liabilities included in the figure for present value of liabilities	
(18.743)	- Unfunded liabilities for Pension Fund	(20.820)
(21.390)	- Teachers unfunded pensions	(24.368)
(9.799)	- Unfunded liabilities prior to 1996 local government reorganisation	(9.949)

## Notes to the Financial Statements

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

2013/14		2014/15
£m		£m
552.818	Opening Fair Value of Pension Fund Assets	580.271
24.564	Interest Income	24.926
	Re-measurement gains and (losses)	
12.008	Expected rate of return on pension fund assets	40.936
16.930	Contributions from employers	17.990
4.480	Contributions from employees into the scheme	4.608
(30.529)	Benefits Paid (including settlements)	(22.970)
<b>580.271</b>	<b>Closing balance at 31 March</b>	<b>645.761</b>

### Analysis of Pension Fund Assets

Asset Category	2014/15				2013/14			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Totals	%	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Totals	%
Equity Securities	236.734	0.487	237.221	37%	211.563	0.446	212.009	36%
Debt Securities	-	0.003	0.003	0%	-	0.004	0.004	0%
Private Equity	-	62.838	62.838	10%	-	54.727	54.727	9%
Real Estate	-	58.999	58.999	9%	-	40.650	40.650	7%
Investment Funds and Unit Trusts	7.036	263.599	270.635	42%	14.363	230.644	245.007	42%
Derivatives	0.198	-	0.198	0%	0.123	-	0.123	0%
Cash & Cash Equivalents	-	15.867	15.867	2%	-	27.752	27.752	5%
<b>Closing balance at 31 March</b>	<b>243.968</b>	<b>401.793</b>	<b>645.761</b>	<b>100%</b>	<b>226.049</b>	<b>354.222</b>	<b>580.271</b>	<b>100%</b>

(Please note, the actuary who provided the figures in this table stated that the sum of individual items may not equal the totals shown due to rounding)

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2014.

	Local Government Pension Scheme	
	2014/15	2013/14
Long-term expected rate of return on assets in the scheme:		
Equity investments	3.2%	4.3%
Bonds	3.2%	4.3%
Property	3.2%	4.3%
Cash	3.2%	4.3%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
	Men	22.1
	Women	23.4
Longevity at 65 for future pensioners:		
	Men	24.8
	Women	25.3
Rate of inflation	2.4%	2.8%
Rate of increase in salaries	4.3%	5.1%
Rate of increase in pensions	2.4%	2.8%
Rate for discounting scheme liabilities	3.2%	4.3%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

## Notes to the Financial Statements

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

### *Change in Assumptions at 31 March 2015*

	Approximate % increase in Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	11%	101.077
1 Year increase in Member Life Expectancy	3%	26.113
0.5% increase in the Salary Increase Rate	5%	44.262
0.5% increase in the Pension Increase Rate	7%	64.324

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as shown above. The sensitivity analysis has been determined based on reasonably possible 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, for example, 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, i.e. on an actuarial basis using the projected unit credit method. 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 (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the 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 in cash.

### *Impact on the Authority's Cash Flow*

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2015/16. The triennial valuation took place at 31 March 2014.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland 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 2016 is £14.544m.

The assumed weighted average duration of the defined benefit obligation is 17.8 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

# Notes to the Financial Statements

## Note 15 – Property Plant and Equipment

2014/15	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2014/15 Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
Cost or Valuation:	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2014</b>	<b>425.421</b>	<b>512.397</b>	<b>30.421</b>	<b>93.161</b>	<b>3.168</b>	<b>4.114</b>	<b>1,068.682</b>
Expenditure	13.106	8.025	4.457	5.132	0.031	23.006	53.757
Revaluations:							
To Revaluation Reserve	0.010	(40.833)	-	-	(0.879)	-	(41.702)
To Net Cost of Services	(5.933)	(20.142)	-	-	(2.561)	-	(28.636)
Disposals	(3.146)	(1.116)	(0.703)	-	-	-	(4.965)
Assets reclassified (to)/from Held for Sale	-	(1.006)	-	-	1.737	-	0.731
Other movements	8.029	(2.108)	-	-	2.888	(8.809)	-
<b>At 31 March 2015</b>	<b>437.487</b>	<b>455.217</b>	<b>34.175</b>	<b>98.293</b>	<b>4.384</b>	<b>18.311</b>	<b>1,047.867</b>
<b>Depreciation and Impairment:</b>							
<b>At 1 April 2014</b>	<b>(17.017)</b>	<b>(57.711)</b>	<b>(16.715)</b>	<b>(38.934)</b>	<b>(0.125)</b>	<b>-</b>	<b>(130.502)</b>
Depreciation charge	(17.522)	(14.154)	(4.108)	(4.760)	(0.050)	-	(40.594)
Depreciation written out							
To Revaluation Reserve	-	47.058	-	-	0.121	-	47.179
Disposals	0.126	0.116	0.642	-	-	-	0.884
Reclassifications	-	0.150	-	-	(0.113)	-	0.037
<b>At 31 March 2015</b>	<b>(34.413)</b>	<b>(24.541)</b>	<b>(20.181)</b>	<b>(43.694)</b>	<b>(0.167)</b>	<b>-</b>	<b>(122.996)</b>
<b>Net Book Value at 31 March 2014</b>	<b>408.404</b>	<b>454.686</b>	<b>13.706</b>	<b>54.227</b>	<b>3.043</b>	<b>4.114</b>	<b>938.180</b>
<b>Net Book Value at 31 March 2015</b>	<b>403.074</b>	<b>430.676</b>	<b>13.994</b>	<b>54.599</b>	<b>4.217</b>	<b>18.311</b>	<b>924.871</b>

2013/14	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2013/14 Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
Cost or Valuation:	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2013</b>	<b>515.625</b>	<b>485.601</b>	<b>25.616</b>	<b>86.658</b>	<b>3.168</b>	<b>16.257</b>	<b>1,132.925</b>
Expenditure	10.608	5.659	5.935	6.503	-	12.583	41.288
Revaluations:							
To Revaluation Reserve	(91.989)	1.703	-	-	-	-	(90.286)
To Net Cost of Services	(5.121)	(5.197)	-	-	-	-	(10.318)
Disposals	(3.702)	(0.095)	(1.130)	-	-	-	(4.927)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other movements	-	24.726	-	-	-	(24.726)	-
<b>At 31 March 2014</b>	<b>425.421</b>	<b>512.397</b>	<b>30.421</b>	<b>93.161</b>	<b>3.168</b>	<b>4.114</b>	<b>1,068.682</b>
<b>Depreciation and Impairment:</b>							
<b>At 1 April 2013</b>	<b>(127.829)</b>	<b>(45.617)</b>	<b>(13.866)</b>	<b>(34.341)</b>	<b>(0.093)</b>	<b>-</b>	<b>(221.746)</b>
Depreciation charge	(17.017)	(13.239)	(3.731)	(4.593)	(0.032)	-	(38.612)
Depreciation written out							
To Revaluation Reserve	127.829	1.145	-	-	-	-	128.974
Disposals	-	-	0.882	-	-	-	0.882
<b>At 31 March 2014</b>	<b>(17.017)</b>	<b>(57.711)</b>	<b>(16.715)</b>	<b>(38.934)</b>	<b>(0.125)</b>	<b>-</b>	<b>(130.502)</b>
<b>Net Book Value at 31 March 2013</b>	<b>387.796</b>	<b>439.984</b>	<b>11.750</b>	<b>52.317</b>	<b>3.075</b>	<b>16.257</b>	<b>911.179</b>
<b>Net Book Value at 31 March 2014</b>	<b>408.404</b>	<b>454.686</b>	<b>13.706</b>	<b>54.227</b>	<b>3.043</b>	<b>4.114</b>	<b>938.180</b>

## Notes to the Financial Statements

### Note 16 – PPP Assets Included in Property, Plant and Equipment

2013/14 £m		2014/15 £m
81.100	<b>Cost or Valuation at 1 April</b>	81.100
0.000	Expenditure	0.044
0.000	Revaluations To Revaluation Reserve	(3.620)
0.000	Revaluations To Net Cost of Services	(1.945)
81.100	<b>Cost or Valuation at 31 March</b>	75.579
(10.652)	<b>Depreciation and Impairment at 1 April</b>	(12.680)
(2.028)	Depreciation charge	(2.236)
	Depreciation Written Out To Revaluation Reserve	12.680
(12.680)	<b>Depreciation or Impairment at 31 March</b>	(2.236)
70.448	<b>Opening Net Book Value</b>	68.420
68.420	<b>Closing Net Book Value</b>	73.343

### Note 17 – Capital Expenditure and Capital Financing

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

	2014/15 £m	2013/14 £m
<b>Opening Capital Financing Requirement</b>	375.855	374.473
<i>Capital investment</i>		
Property, Plant and Equipment	53.757	41.288
Intangible Assets	0.070	-
Revenue Expenditure Funded from Capital under Statute	1.895	0.996
<i>Sources of finance</i>		
Capital receipts	(2.173)	(1.379)
Government grants and other contributions	(20.518)	(8.383)
Transfer from Capital Fund	-	(2.341)
Sums set aside from revenue:		
Direct revenue contributions	(9.654)	(10.804)
Repayment of PPP/Finance Lease Capital Debt	(1.839)	(1.807)
Loans Fund Principal	(13.587)	(16.188)
<b>Closing Capital Financing Requirement</b>	383.806	375.855
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by government financial assistance)	7.951	1.382
<b>Increase/(decrease) in Capital Financing Requirement</b>	7.951	1.382

### Note 18 – Capital Commitments

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

Scheme	Commitment £m
Affordable Housing - Campbelton Drive, Kilmarnock	0.075
Affordable Housing - Chapel Lane, Galston	0.056
Affordable Housing - West Langlands St, Kilmarnock	0.072
<b>Total</b>	<b>0.203</b>

## Notes to the Financial Statements

### Note 19 – Impairment Losses

During 2014/15, an impairment loss of £29.207m was recognised following the revaluation of certain assets. The assets have been reduced to their new value in use and relevant impairment losses have been charged to the services in the CIES.

### Note 20 – Intangible Assets

The Council accounts for its software and purchased licenses as intangible assets. All software is given a finite useful life which is assigned to all of the major software is 5 years. The remaining period of amortisation for each software suite is as follows:

	Carrying Amount		Remaining Amortisation Period
	31 March 2015	31 March 2014	
	£m	£m	
Legal Licensing System	-	0.006	None
Human Resources System	-	0.008	None
Web Publishing Software	-	0.002	None
Financial Management System	0.009	0.019	1 year
Planning System	0.002	0.003	1 year
Payroll System	0.005	0.010	1 year
Council Housing System	0.003	0.005	2 years
Document Classification	0.024	-	4 years
Case Management System	0.012	-	4 years
Grants System	0.010	-	4 years
Business Intelligence Software	0.010	-	4 years
	<b>0.075</b>	<b>0.053</b>	

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

	2014/15	2013/14
	£m	£m
<b>Balance at start of year:</b>		
Gross carrying amounts	0.487	0.487
Accumulated amortisation	(0.435)	(0.390)
<b>Net carrying amount at start of year</b>	<b>0.052</b>	<b>0.097</b>
Purchases	0.070	-
Amortisation for the period	(0.047)	(0.044)
<b>Net carrying amount at end of year</b>	<b>0.075</b>	<b>0.053</b>
<b>Comprising:</b>		
Gross carrying amounts	0.557	0.487
Accumulated amortisation	0.482	(0.435)

### Note 21 - Assets Held for Sale

2013/14		2014/15
£m	Current Assets	£m
2.253	Balance outstanding at start of year	1.918
-	Property, Plant and Equipment	1.002
-	To Revaluation Reserve	(0.001)
-	To Net Cost of Services	(0.571)
	Assets declassified as held for sale:	
-	Property, Plant and Equipment	(1.770)
(0.335)	Assets sold	-
<b>1.918</b>	<b>Balance outstanding at year-end</b>	<b>0.578</b>

# Notes to the Financial Statements

## Note 22 – Heritage Assets

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

- The systematic collection of material representative of the human history, natural history and earth sciences of the local area. That is particularly East Ayrshire, but for historical, geographical and scientific reasons the concept of the local area is meaningful in many contexts only when more widely defined as Ayrshire or in some cases the Clyde basin and;
- Systematic 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 collections have been reported on the Balance Sheet at their insurance valuation.

2013/14		2014/15
£m		£m
55.519	Cost or Valuation at 1 April	57.500
1.981	Revaluations during the year	-
57.500	Cost or Valuation at 31 March	57.500
55.519	Opening Net Book Value	57.500
57.500	Closing Net Book Value	57.500

During the period since 1 April 2010, when Heritage Assets were first recognised on the Balance Sheet, there have been no reported transactions involving the purchase, disposal or donation of Heritage Assets. Information on the management of Heritage Assets including details of records maintained is included in the East Ayrshire Arts and Museums Acquisitions, Preservation, Management and Disposals Policy which is available on request from East Ayrshire Council.

## Note 23 – Inventories

2013/14			2014/15		
Consumable Stores	Maintenance Materials	Total	Consumable Stores	Maintenance Materials	Total
£m	£m	£m	£m	£m	£m
0.639	0.605	1.244	0.633	0.667	1.300
-	-	-	0.053	0.165	0.218
1.411	1.992	3.403	1.443	2.231	3.674
(1.417)	(1.930)	(3.347)	(1.588)	(2.327)	(3.915)
0.633	0.667	1.300	0.541	0.736	1.277

## Note 24 – Debtors

31 March 2014		31 March 2015
£m		£m
12.511	Central Government bodies	5.918
1.746	Other Local Authorities	3.778
2.799	NHS bodies	3.226
0.001	Public Corporations and trading funds	0.003
10.827	Other entities and individuals	13.431
27.884	Total	26.356

## Notes to the Financial Statements

### Note 25 – Creditors

31 March 2014		31 March 2015
£m		£m
(4.203)	Central Government bodies	(5.147)
(0.202)	Other Local Authorities	(0.954)
(0.630)	NHS bodies	(0.422)
(0.596)	Public Corporations and trading funds	(0.215)
(49.251)	Other entities and individuals	(56.739)
<b>(54.882)</b>	<b>Total</b>	<b>(63.477)</b>

### Note 26 – Cash and Cash Equivalents

31 March 2014		31 March 2015
£m		£m
0.109	Cash held by the Council	0.120
(3.478)	Bank current accounts	(2.722)
20.463	Short-term deposits	30.077
<b>17.094</b>	<b>Total Cash and Cash Equivalents</b>	<b>27.475</b>

### Note 27 – Provisions

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 this provision on the grounds that it can be expected to prejudice seriously the outcome of the proceedings.

The Council holds a provision of £1.310m in respect of severance costs within departments. Arrangements were agreed by Cabinet and the payments will be made in the coming months. A provision of £0.165m has been made in respect of holidays accrued by teachers while on maternity leave.

An amount of £0.165m remains in respect of Strathclyde Regional Council (SRC) intromissions for the Council's share of outstanding claims against the former SRC, including asbestos related cases in relation to Mutual Municipal Insurance (MMI). In this regard 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.

A further £0.265m has been set aside for potential costs relating to disclosure arrangements in respect of the Public Sector Network (PSN) and Protecting Vulnerable Groups (PVG). In addition £0.136m has been provided for the costs of backdated holiday pay overtime following the recent legal judgement.

The Council is required to provide for any short term accumulating compensated absences, primarily holiday entitlement, which employees have earned but not yet taken at 31 March each year. An exercise to determine the financial cost of this entitlement has been carried out and a provision of £7.750m has been made and transferred to the Accumulated Absences Account within Unusable Reserves.

# Notes to the Financial Statements

## Note 28 – Financial Instruments

### Categories of Financial Instruments

31 March 2014			31 March 2015	
Long-term £m	Current £m		Long-term £m	Current £m
		<b>Investments</b>		
0.024	4.302	Loans and receivables	0.023	34.042
-	3.001	Available-for-sale financial assets	-	31.053
<b>0.024</b>	<b>7.303</b>	<b>Total Investments</b>	<b>0.023</b>	<b>65.095</b>
		<b>Debtors</b>		
-	44.978	Loans and receivables	-	56.553
-	<b>44.978</b>	<b>Total Debtors</b>	-	<b>56.553</b>
		<b>Borrowings</b>		
(269.481)	(15.260)	Financial liabilities at amortised cost	(327.888)	(15.292)
<b>(269.481)</b>	<b>(15.260)</b>	<b>Total Borrowings</b>	<b>(327.888)</b>	<b>(15.292)</b>
		<b>Other Long Term Liabilities</b>		
(63.424)	(1.839)	PPP and finance lease liabilities	(61.360)	(2.065)
<b>(63.424)</b>	<b>(1.839)</b>	<b>Total Other Long Term Liabilities</b>	<b>(61.360)</b>	<b>(2.065)</b>
		<b>Creditors</b>		
-	(31.729)	Financial liabilities carried at contract amount	-	(46.371)
-	<b>(31.729)</b>	<b>Total Creditors</b>	-	<b>(46.371)</b>

### Income, Expense, Gains and Losses

2013/14 Total		Financial Liabilities measured at amortised cost £m	Financial Assets: Loans and receivables £m	Financial Assets: Available for sale £m	Assets and Liabilities at Fair Value through CIES £m	2014/15 Total
£m		£m	£m	£m	£m	£m
17.648	Interest expense	19.321	-	-	-	19.321
<b>17.648</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>19.321</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.321</b>
(0.444)	Interest Income	-	(0.680)	-	-	(0.680)
(0.023)	Interest income accrued on impaired financial assets	-	-	-	-	-
<b>(0.467)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(0.680)</b>	<b>-</b>	<b>-</b>	<b>(0.680)</b>
-	Gains on revaluation	-	-	(0.002)	-	(0.002)
-	Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	(0.002)	-	(0.002)
<b>17.181</b>	<b>Net (gain) / loss for the year</b>	<b>19.321</b>	<b>(0.680)</b>	<b>(0.002)</b>	<b>-</b>	<b>18.639</b>

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

## Notes to the Financial Statements

- Estimated ranges of interest rates at 31 March 2015 of 0.19% to 2.21% for loans from the Public Works Loans Board and 2.89% to 3.15% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2014			31 March 2015		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£m	£m		£m	£m	
(332.905)	(392.606)	Financial liabilities	(389.248)	(519.158)	
(332.905)	(392.606)		(389.248)	(519.158)	

31 March 2014			31 March 2015		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£m	£m		£m	£m	
0.024	0.024	Loans and receivables	0.023	0.023	
0.024	0.024		0.023	0.023	

The fair value of financial liabilities is greater than the carrying value amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above market rate increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

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

The Council's activities expose it to a variety of financial risks. Credit Risk : the possibility that other parties might fail to pay amounts due. Liquidity Risk : the possibility that the Council may have insufficient funds to make repayments. Market Risk : the possibility that financial loss might arise as a result of changes in interest rates and stock market movements. The Council's overall risk management focuses on the unpredictability of markets and seeks to minimise potential adverse effects on its resources. Risk management is carried out by a treasury team under policies approved in the annual Treasury Management Strategy. The Council provides written principles for overall risk as well as written policies covering areas, such as interest rate risk, credit risk and the investment of surplus cash. Professional advice on all aspects of Treasury Management is provided by Capita Asset Services.

#### *Loans and Receivables*

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A limit is placed on the amount of money that can be invested with a single counterparty and a total group investment limit for institutions that are part of the same banking group is also set. Although credit ratings remain a key source of information, it is recognised that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement and Investment Strategy 2014/15 - 2016/17 approved by Cabinet on 2 April 2014.

## Notes to the Financial Statements

These counterparties were selected after analysis and careful monitoring of Credit Ratings, Credit Default Swaps, Gross Domestic Product (GDP), Net Debt as a percentage of GDP, Sovereign Support Mechanisms / potential support from a well-resourced parent institution and Share Price. Throughout 2014/15 the minimum criteria for new investments has been a long term rating of A-/A3/A- (Fitch/Moody's/S&P). The following table summarises the nominal value of the Council's investment portfolio at 31 March 2015 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria met when investment placed	Credit Rating Criteria met on 31 March 2015	Balance Invested at 31 March 2015					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	
			YES/NO	YES/NO				
UK Banks	YES	YES	1.006	-	14.010	-	-	15.016
UK Building Societies	YES	YES	-	-	1.502	3.504	-	5.006
Local Authorities	YES	YES	-	-	5.004	-	10.003	15.007
Debt Management Office	YES	YES	1.000	-	-	-	-	1.000
Money Market Funds	YES	YES	24.078	-	-	-	-	24.078
Non UK Banks	YES	YES	4.993	4.999	6.008	6.024	13.043	35.067
<b>Total</b>			<b>31.077</b>	<b>4.999</b>	<b>26.524</b>	<b>9.528</b>	<b>23.046</b>	<b>95.174</b>

### Trade Receivables

The Council's potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor at 31 March 2015 of £11.588m with a bad debt provision of £4.083m. The amount above 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. The Gross Debtor amount can be analysed by age as follows:

31 March 2014 £m		31 March 2015 £m
4.399	Less than three months	6.794
0.339	Between three and six months	0.350
0.672	Between six months and one year	0.743
3.206	More than one year	3.701
<b>8.616</b>		<b>11.588</b>

### Liquidity Risk

The Council has a comprehensive cash flow system that seeks to ensure that cash is available as needed and has ready access to borrowings from the money markets to cover any daily cash flow need. Whilst the Public Works Loans Board provides access to longer term funds, it also acts as a lender of last resort to Councils. The Council is required to provide a balanced budget which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments. All trade and other payables are due to be paid within one year. The maturity analysis is as follows:

31 March 2014 £m		31 March 2015 £m
63.814	Less than one year	63.728
8.230	Between one and two years	10.385
28.576	Between two and five years	30.764
282.265	More than five years	348.098
<b>382.885</b>		<b>452.975</b>

## Notes to the Financial Statements

### Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure. The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. At 31 March 2015 19.91% of the Council's borrowings were held at variable rates of interest. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect is shown below. The impact of a 1% fall in interest rates would be the same but with the movements being reversed.

	£m
Increase in interest receivable on variable rate investments	0.647
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0.647</b>
Share of overall impact debited to the HRA	0.052
<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>62.886</b>

### Note 30 – Related Parties

Related parties are organisations that the Council can control or influence or who can control or influence the Council. Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in Note 7 on page 30.

### Members

Members of the Council have direct control over the Council's financial and operating policies. Details of senior members remuneration and members allowances paid in year are included in the Remuneration Report. Under the Council's Code of Conduct members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a councillor. Membership of statutory joint boards or committees, which are composed exclusively of elected members, does not raise an issue of declaration of interest in regard to Council business. In relation to interests of any other relevant parties, those members with declarations or 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 [www.east-ayrshire.gov.uk/members-interests](http://www.east-ayrshire.gov.uk/members-interests). There were no related party transactions in the year.

## Notes to the Financial Statements

### *Officers*

All Chief Officers are required to complete and sign a Related Party declaration for the year to 31 March 2015. These have been reviewed and based on the completed returns there were no such transactions in the year.

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

East Ayrshire Leisure Trust is deemed to be a related party of the Council mainly through the Council's ability to exert influence over the entity through its representation on the respective Board, the relevant transactions and balances with the body are:

Entity	During 2014/15		As at 31 March 2015	
	Charges to £m	Charges from £m	Due from £m	Due to £m
East Ayrshire Leisure Trust	0.466	7.086	0.296	0.987

### **Note 31 – Contingent Assets and Liabilities**

Whilst the Council has made appropriate provision for the settlement of all known claims in respect of Equal Pay and the implementation of the Single Status Agreement, the Council recognises the potential for compensation claims in respect of cases not yet settled or presented.

The Council is a constituent member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at 31 March 2015 the Council's involvement stands at £1.764m and in the event of the Fund being wound up, a contingent liability of £0.838m exists in respect of European Development Fund Grants. The Council does not have an interest in the share capital of any of the companies dealt with by the West of Scotland Loans Fund Ltd.

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

The most recent financial report from Municipal Mutual Insurance indicated that, following the ruling by the Supreme Court in litigation known as The Employers' Liability Insurance Trigger Litigation, there may not be a solvent run-off of mesothelioma (asbestos) claims. The actual cost and timing of any Council contribution cannot be estimated with reasonable accuracy and consequently no provision has been made in the Financial Statements in respect of these payments.

# Notes to the Financial Statements

## Note 32 – Unusable Reserves

Unusable Reserves are those that the Council is not able to utilise to provide services. The balances held at 31 March 2015 are shown in the following table:

2013/14 Total Unusable Reserves		Unusable Reserves						2014/15 Total Unusable Reserves
		Revaluation Reserve	Available for Sale Financial Instrument	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	
£m		£m	£m	£m	£m	£m	£m	£m
479.895	Balance at 31 March 2013	375.025	-	246.770	(182.704)	(14.134)	(7.353)	417.604
(62.229)	Increase / (Decrease) in 2013/14							-
417.666	Balance at 31 March 2014	375.025	-	246.770	(182.704)	(14.134)	(7.353)	417.604
22.918	Other Comprehensive Income and Expenditure	5.476	0.002	-	(38.789)	-	-	(33.311)
	Adjustments between accounting basis and funding basis under Regulation							
(38.612)	Depreciation of Non Current Assets	(14.703)	-	(25.891)	-	-	-	(40.594)
(10.318)	Impairment of Non Current Assets	-	-	(29.207)	-	-	-	(29.207)
(0.044)	Amortisation of Intangible Assets	-	-	(0.047)	-	-	-	(0.047)
7.387	Capital Grants and Contributions Applied	-	-	18.623	-	-	-	18.623
0.349	Differences relating to Financial Instruments required by statute	-	-	-	-	0.393	-	0.393
(1.220)	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(0.397)	(0.397)
(4.380)	Net Gain / Loss on Disposal of Fixed Assets	-	-	(4.081)	-	-	-	(4.081)
(25.591)	Net Charges for Retirement Benefits	-	-	-	(31.113)	-	-	(31.113)
16.930	Contributions to Pensions Fund	-	-	-	17.990	-	-	17.990
17.995	Repayment of Debt	-	-	15.426	-	-	-	15.426
3.720	Use of Capital Fund to Finance New Capital Expenditure	-	-	2.173	-	-	-	2.173
10.804	Capital Expenditure Funded in Year	-	-	9.654	-	-	-	9.654
(0.062)	Increase / (Decrease) in 2014/15	(9.227)	0.002	(13.350)	(51.912)	0.393	(0.397)	(74.491)
417.604	Balance at 31 March 2015	365.798	0.002	233.420	(234.616)	(13.741)	(7.750)	343.113

## Notes to the Financial Statements

### Note 33 –Ayrshire Roads Alliance

The Ayrshire Roads Alliance was established on 1 April 2014 as a shared service partnership between East Ayrshire Council and South Ayrshire Council. The Alliance provides a shared roads service for both councils and is accounted for on a purchaser / provider arrangement with East Ayrshire Council employing all staff and managing the operational service. The budget for the Alliance is split between strategic delivery 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 equally between both councils after adjusting for specific elements of expenditure which relate specifically to one council. Local delivery budgets are used to meet local and consolidated road maintenance plans and the funding allocation from both councils varies. Any surplus or deficit at the year end on local delivery is retained by the relevant council. At the end of 2014/15 the financial results for the Alliance are as follows:

Council	Annual	Actual to	Variance
	Estimate 2014/15	31/3/15	
	£m	£m	£m
East Ayrshire Council	7.130	6.948	(0.182)
South Ayrshire Council	7.687	7.638	(0.049)
<b>Total</b>	<b>14.817</b>	<b>14.586</b>	<b>(0.231)</b>

Detail	Annual	Actual to	Variance
	Estimate 2014/15	31/3/15	
	£m	£m	£m
Employee Costs	8.210	7.594	(0.616)
Premises costs	0.655	0.622	(0.033)
Transport Costs	1.486	1.785	0.299
Supplies and Services	5.996	6.459	0.463
Third Party Payments	4.299	2.913	(1.386)
Debt Charges	0.471	0.432	(0.039)
<b>Total Expenditure</b>	<b>21.117</b>	<b>19.805</b>	<b>(1.312)</b>
Income	(6.300)	(5.219)	1.081
<b>Net Expenditure</b>	<b>14.817</b>	<b>14.586</b>	<b>(0.231)</b>

	Annual	Actual to	Variance	Amount Charged to South Ayrshire Council at Year End
	Estimate 2014/15	31/3/15		
	£m	£m	£m	
Strategic Delivery				
East Ayrshire Council	1.902	1.692	(0.210)	n/a
South Ayrshire Council	1.890	2.158	0.268	0.268
<b>Total</b>	<b>3.792</b>	<b>3.850</b>	<b>0.058</b>	<b>0.268</b>

	Annual	Actual to	Variance	Amount Paid to South Ayrshire Council at Year End
	Estimate 2014/15	31/3/15		
	£m	£m	£m	
Local Delivery				
East Ayrshire Council	5.228	5.256	0.028	n/a
South Ayrshire Council	5.797	5.480	(0.317)	(0.317)
<b>Total</b>	<b>11.025</b>	<b>10.736</b>	<b>(0.289)</b>	<b>(0.317)</b>

## Notes to the Financial Statements

### Note 34 - Summarised Financial Information of Group Entities

The Council has an interest in a Common Good Fund, East Ayrshire Leisure Trust and several Joint Boards. The accounting year end for these entities is 31 March 2015. 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 65. East Ayrshire Leisure Trust is treated as an Associate within the Group Statements and the Joint Boards that have been consolidated as Associates are:

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- Ayrshire Valuation Joint Board

The Councils share of its associates is as follows:

Summarised Financial Information of Associates					
	<i>Strathclyde Partnership for Transport</i>	<i>Strathclyde Concessionary Travel Scheme Joint Committee</i>	<i>Ayrshire Valuation Joint Board</i>	<i>East Ayrshire Leisure Trust</i>	<i>Total Associates</i>
	£m	£m	£m	£m	£m
Surplus/(Deficit) on Operating Activities	0.212	0.001	0.002	0.185	0.400
Non Current Assets	6.938	-	0.156	0.008	7.102
Current Assets	6.732	0.126	0.153	1.228	8.239
Non Current Liabilities	(3.175)	-	(0.559)	(1.219)	(4.953)
Current Liabilities	(2.365)	(0.032)	(0.050)	(0.852)	(3.299)

#### *Strathclyde Partnership for Transport*

Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of 29 members representing the 12 constituent unitary authorities in the West of Scotland plus other interested parties. Of the 29 members, twenty are nominated from Councils and between seven and nine are public appointments. East Ayrshire Council has one elected member on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.22%.

A copy of the Annual Accounts for SPT can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

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

The Committee comprises the 12 Councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the 12 Councils. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.69%. A copy of the Annual Accounts for SCTS can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

## Notes to the Financial Statements

### *Ayrshire Valuation Joint Board*

The Ayrshire Valuation Joint Board 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 the three Councils of East, North and South Ayrshire. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30.33%.

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

### *East Ayrshire Leisure Trust*

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

A copy of the Annual Accounts for the Leisure Trust can be obtained from the Chief Executive, East Ayrshire Leisure, Dick Institute, Elmbank Avenue, Kilmarnock, KA1 3BU.

### *Alignment of Accounting Policies*

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Annual Accounts are contained in Note 1. The accounting policies of the Council and Associates noted above are fully aligned with the exception of the period over which fixed assets are depreciated.

## Housing Revenue Account (HRA) Income and Expenditure Statement

2013/14 £m		2014/15 £m
	<i>Income</i>	
(39.115)	Dwelling Rents	(40.885)
(0.348)	Non Dwelling Rents	(0.346)
(0.224)	Hostel Deficit Grant	-
(0.662)	Any Other Income	(1.261)
<b>(40.349)</b>	<b>Total Income</b>	<b>(42.492)</b>
	<i>Expenditure</i>	
12.500	Repairs and Maintenance	13.193
7.595	Supervision and Management	9.370
22.341	Depreciation and Impairment of Non Current Assets	24.592
0.877	Bad and Doubtful Debt Provision	0.488
1.238	Any Other Expenditure	1.295
<b>44.551</b>	<b>Total Expenditure</b>	<b>48.938</b>
<b>4.202</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>6.446</b>
<b>0.787</b>	<b>HRA Share of Corporate and Democratic Core</b>	<b>0.701</b>
<b>0.033</b>	<b>HRA Share of Non Distributed Costs</b>	<b>0.185</b>
<b>5.022</b>	<b>Net Cost of HRA Services</b>	<b>7.332</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>	
-	Capital Grants and contributions receivable	(8.464)
-	<b>Income</b>	<b>(8.464)</b>
2.323	(Gain) or Losses on disposals of assets	0.848
<b>2.323</b>	<b>Expenditure</b>	<b>0.848</b>
<b>2.323</b>	<b>HRA Share of Other Operating Expenditure</b>	<b>(7.616)</b>
	<i>Investment</i>	
(2.506)	Expected Return on Pension Assets	(2.428)
<b>(2.506)</b>	<b>Income</b>	<b>(2.428)</b>
<b>(2.506)</b>	<b>HRA Share of Investment Income</b>	<b>(2.428)</b>
	<i>Financing</i>	
(0.055)	Interest and Investment Income	(0.141)
<b>(0.055)</b>	<b>Income</b>	<b>(0.141)</b>
3.226	Pension Interest Cost	3.204
3.569	Interest Payable and similar charges	4.544
<b>6.795</b>	<b>Expenditure</b>	<b>7.748</b>
<b>6.740</b>	<b>HRA Share of Net Finance Expenditure</b>	<b>7.607</b>
<b>11.579</b>	<b>(Surplus) / Deficit on the HRA</b>	<b>4.895</b>

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

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

2013/14 £m		2014/15 £m
(3.283)	Balance on the HRA brought forward	(6.342)
11.579	(Surplus) or Deficit on the HRA	4.895
(13.757)	Adjustments between accounting basis and funding basis under statute	(6.786)
(2.178)	Net (Increase) or Decrease before transfers to / from Reserves	(1.891)
(0.880)	Transfers to / from Reserves	(0.880)
(3.059)	(Increase) / Decrease on the HRA Balance for the Year	(2.771)
(6.342)	Balance on the HRA carried forward	(9.113)

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

#### Housing Stock

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

2013/14 Total		Flats	2014/15 Houses	Total
2,496	One Bedroom	1,660	821	2,481
6,421	Two Bedroom	3,335	3,089	6,424
3,584	Three Bedroom	589	2,965	3,554
262	Four Bedroom	16	247	263
2	Five Bedroom	2	-	2
12,765	Total	5,602	7,122	12,724

#### 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:

2013/14		2014/15
£59.89	Average Weekly Rent (52 weeks)	£63.58
5.70%	Current Rent Arrears (as % of Rent Collectable)	5.00%
£1.551m	Total Rent Arrears	£1.849m
£1.143m	Provision for Bad Debt	£1.418m

The Council is required to disclose the loss on void properties and in 2014/15 this amounted to £1.770m. The comparator figure for 2013/14 was £1.363m.

## Council Tax Income Account

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

2013/14 £m		2014/15 £m
58.174	Gross Council Tax levied and contributions in lieu	58.530
	Deduct:	
(9.955)	Council Tax Reduction	(9.434)
(7.021)	Other discounts and reductions	(7.235)
(1.562)	Provision for bad and doubtful debts	(1.585)
0.174	Adjustments to previous years Council Tax and Community Charge	0.259
<b>39.810</b>	<b>Net Council Tax Income Transferred to General Fund</b>	<b>40.535</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 2014/15 was £1,188.99.

Properties can be exempt if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over. The discount is 50% where the property is not the sole or main residence of any person.

BAND	2014/15 £ per year
A	792.66
B	924.77
C	1,056.88
D	1,188.99
E	1,453.21
F	1,717.43
G	1,981.65
H	2,377.98

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

2013/14											2014/15
Total	Bands	A(d)	A	B	C	D	E	F	G	H	Total
56,919	Properties		26,427	9,392	5,040	6,408	6,039	2,914	909	43	57,172
(1,378)	Exemptions		(872)	(230)	(126)	(88)	(64)	(22)	(10)	(3)	(1,415)
	- Disabled Reliefs	102	(21)	(36)	2	38	(56)	(16)	(13)	0	0
(21,640)	Discounts (25%)	(39)	(13,282)	(3,603)	(1,744)	(1,646)	(1,178)	(376)	(94)	(5)	(21,967)
(834)	Discounts (50%)		(407)	(115)	(77)	(86)	(66)	(31)	(11)	(4)	(797)
<b>49,715</b>	<b>Total equivalent</b>	<b>92</b>	<b>22,010</b>	<b>8,168</b>	<b>4,442</b>	<b>5,904</b>	<b>5,592</b>	<b>2,767</b>	<b>857</b>	<b>37</b>	<b>49,868</b>
	Ratio										
<b>43,046</b>	<b>Band 'D' equivalent</b>	<b>51</b>	<b>14,673</b>	<b>6,353</b>	<b>3,948</b>	<b>5,904</b>	<b>6,834</b>	<b>3,996</b>	<b>1,428</b>	<b>74</b>	<b>43,261</b>
(1,563)	Bad debt provision										(1,684)
<b>41,483</b>											<b>41,577</b>

## Non-Domestic Rate Account

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

2013/14		2014/15
£m		£m
38.690	Gross rates levied and contributions in lieu	39.453
	Deduct:	
(9.696)	Reliefs and reductions	(8.954)
(0.866)	Provision for bad and doubtful debts	(0.911)
<b>28.128</b>	<b>Net Non-Domestic Rate Income</b>	<b>29.588</b>
(2.918)	Prior year pool	(0.434)
3.336	Contributions (to)/from National Non-Domestic Rate Pool	1.906
<b>28.546</b>	<b>Income credited to the Comprehensive Income and Expenditure Statement</b>	<b>31.060</b>

### Note 37 – Analysis of Rateable Values

	Number	£m
Shops	1,079	24.460
Industrial & Freight Transport Subjects	922	13.628
Offices (including Banks)	501	6.673
Other	255	0.779
Public Service Subjects	225	5.679
Leisure, Entertainment, Caravans and Holiday Sites	177	3.589
Garages and Petrol Stations	145	1.285
Public Houses	106	2.101
Religious	93	0.806
Education and Training	73	8.824
Health Medical	71	4.044
Care Facilities	51	2.397
Hotels, Boarding Houses, etc.	30	0.931
Advertising	31	0.077
Cultural	25	0.343
Undertaking	18	1.831
Quarries, Mines, etc.	11	3.914
Sporting Subjects	8	0.138
Communications (Non-Formula)	-	0.000
Petrochemical	2	0.180
	<b>3,823</b>	<b>81.679</b>

### Note 38 – Nature and Amount of NDR Rate Fixed

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Government. The National Non-Domestic Rate poundage set by the Scottish Government for 2014/15 was 47.1p, with a large business supplement of 1.1p.

## Remuneration Report

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 2014/15 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £33,123. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them.

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. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors, excluding remuneration to the Leader of the Council and the Provost, shall not exceed £0.290m. Subject to a maximum number of 14 Senior Councillors, the Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2014/15 East Ayrshire Council appointed 12 Senior Councillors and the remuneration paid to these councillors, excluding remuneration to the Leader of the Council and the Provost totalled £0.293m\*. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £0.351m. 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 which encompasses the salaries of all elected members including the Leader, Civic Head and Senior Councillors was agreed at a meeting of the full Council on 17 May 2007. The annual return of Members Expenses is available at [www.east-ayrshire.gov.uk](http://www.east-ayrshire.gov.uk).

*\*The additional payment relates to backdated remuneration for 2013/14 for the pay award.*

### Remuneration of Councillors

2013/14	2014/15
£m	£m
0.633 Salaries	0.655
0.032 Expenses	0.026
<b>0.665 Total</b>	<b>0.681</b>

In addition to the Senior Councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board such as the Ayrshire Valuation Joint Board (AVJB). 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.

All information disclosed in the tables on pages 56 to 64 in the Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they are consistent with the Annual Accounts

## Remuneration Report

The table below excludes pension contributions paid by the Council, disclosed as part of the pension benefits disclosure.

Total Remuneration 2013/14			Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits in kind	Total Remuneration 2014/15
£			£	£	£	£
23,900	A Brown	Senior Councillor	24,609	-	-	24,609
23,900	J Buchanan	Senior Councillor	24,609	-	-	24,609
20,293	J Campbell	Depute Provost	20,895	-	-	20,895
24,352	T Cook	Depute Leader of the Council	25,074	-	-	25,074
23,900	I Linton	Senior Councillor	24,609	-	-	24,609
23,900	E MacColl	Senior Councillor	24,609	-	-	24,609
24,299	R McDill	Senior Councillor	24,609	1,392	-	26,001
24,392	M McKay	Leader of the Opposition	24,609	2,247	-	26,856
24,834	W Menzies	Chair of Governance and Scrutiny Committee	25,074	1,779	-	26,853
23,900	K Morrice	Senior Councillor	24,609	-	-	24,609
24,162	S Primrose	Senior Councillor	25,062	1,089	-	26,151
32,675	D Reid	Leader of the Council	33,434	362	-	33,796
24,477	J Roberts	Senior Councillor	24,609	2,291	-	26,900
24,353	J Todd	Provost	25,075	-	-	25,075
3,045	J McFadzean	Vice-Convenor Ayrshire Valuation Joint Board	3,045	-	-	3,045
<b>346,382</b>			<b>354,531</b>	<b>9,160</b>	<b>-</b>	<b>363,691</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/144 sets the amount of salary for the Chief Executive of East Ayrshire Council for the period 2008 to 2011. The salaries of the Executive Directors and Heads of Service were set in 2003 following an external review.

These arrangements were agreed by the Council's Corporate Governance Committee on 23 September 2003. East Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are entitled to be reimbursed for business travel and other business related costs in accordance with amounts agreed nationally by the Scottish Joint Negotiating Committee for Local Authorities Services or as approved locally by the Council. Chief Officers are eligible to join the Local Government Pension Scheme.

## Remuneration Report

The Council discloses the remuneration for all Chief Officers which is in excess of the statutory disclosure requirements.

Total Remuneration 2013/14	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Compensation for Loss of Employment	Total Remuneration 2014/15
£			£	£	£	£
121,680	F Lees	Chief Executive (Note 1)	127,054	-	-	127,054
110,903	G Short	Executive Director of Educational and Social Services	112,009	-	79,082	191,091
102,208	E Morton	Depute Chief Executive (Note 1)	104,182	-	-	104,182
102,208	A McPhee	Executive Director of Finance and Corporate Support (Note 1)	104,611	-	-	104,611
84,869	D Mitchell	Solicitor to the Council and Head of Legal, Procurement and Regulatory Services (Note 1)	87,098	-	-	87,098
77,922	M Rose	Head of Human Resources	78,699	-	-	78,699
77,922	M Roulston	Head of Corporate Infrastructure	78,699	-	76,153	154,852
71,934	W Walkinshaw	Head of Democratic Services (Note 1)	78,026	-	-	78,026
77,922	C McArthur	Head of Finance (Note 1)	79,877	-	-	79,877
29,679	J Griffiths	Head of Leisure Services (Note 2)	n/a	-	-	-
97,261	C McAleavey	Acting Executive Director, Neighbourhood Services (Note 3)	103,227	-	-	103,227
62,485	G Darroch	Acting Head of Housing and Environment Services (Note 3)	78,699	-	-	78,699
7,719	J Bryson	Head of Roads and Transportation (Note 4)	n/a	-	-	-
73,982	K Aitken	Acting Head of Roads and Transportation (Note 4)	n/a	-	-	-
n/a	S Turner	Head of Ayrshire Roads Alliance (Note 4)	78,699	-	-	78,699
77,930	A Neish	Head of Planning and Economic Development (Note 5)	24,808	-	-	24,808
n/a	D McDowall	Acting Head of Planning and Economic Development (Note 5)	69,044	-	-	69,044
77,375	A Ward	Acting Head of Schools	79,326	276	-	79,602
77,922	K Gilmour	Head of Community Support	78,699	69	-	78,768
145,486	E Couperwhite	Head of Resources (Note 6)	n/a	-	-	-
74,455	R Gourlay	Head of Facilities Management	75,196	-	51,483	126,679
74,755	A Kennedy	Acting Head of Facilities Management	75,196	-	-	75,196
77,922	S Taylor	Head of Children and Families	78,699	-	-	78,699
77,097	E Fraser	Head of Community Care and Chief Social Work Officer (Note 7)	n/a	-	-	-
5,898	E Fraser	Director of Health & Social Care, East Ayrshire Partnership (Note 7)	103,227	-	-	103,227
n/a	J Lyon	Acting Head of Children and Families	7,569	-	-	7,569

## Remuneration Report

Total Remuneration 2013/14	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Compensation for Loss of Employment	Total Remuneration 2014/15
4,496	H McGee	Acting Head of Community Care (Note 7)	41,762	-	62,674	104,436
n/a	A Black	Head of Community Health and Care Services (Note 8)	27,248	-	-	27,248
n/a	P Milliken	Head of Primary Care & Out of Hours (Note 9)	4,541	-	-	4,541
55,831	E Mackay	Chief Auditor	58,043	-	-	58,043
<b>1,847,861</b>			<b>1,834,238</b>	<b>345</b>	<b>269,392</b>	<b>2,103,975</b>

- Note 1 - The 2014/15 Remuneration for the Chief Executive, Depute Chief Executive / Executive Director of Neighbourhood Services, the Executive Director of Finance and Corporate Support, the Solicitor to the Council / Head of Legal, Procurement and Regulatory Services, the Head of Democratic Services and the Head of Finance includes fees paid in respect of the European Parliamentary Election (22 May 2014) and the Referendum on Scottish Independence (18 Sep 2014). The fees received were £2,982, £955, £1,383, £1,383, £4,663, and £1,178 respectively.
- Note 2 - The Head of Leisure Services was appointed Chief Executive of East Ayrshire Leisure Trust with effect from 1 July 2013.
- Note 3 - From 6 June 2013, the Head of Housing undertook the role of Acting Executive Director Neighbourhood Services. The Acting Head of Housing and Environment Services, took up post on the same day.
- Note 4 - The Head of Ayrshire Roads Alliance took up post on 1 April 2014. The former Head of Roads and Transportation retired from his post on 30 April 2013. The Acting Head of Roads and Transportation took up post on the 1 April 2013 until 31 March 2014.
- Note 5 - The Head of Planning and Economic Development left the Council on 15 July 2014 and the Acting Head of Planning and Economic Development was in post from 4 August 2014.
- Note 6 - The Head of Resources left his post on 31 March 2014. The total payment includes severance costs of £0.069m paid in 2013/14.
- Note 7 - The Head of Community Care and Chief Social Work Officer left his post on 2 March 2014 to take up the role of Director of Health and Social Care, East Ayrshire Partnership from 3 March 2014. The Acting Head of Community Care was in post from 3 March until 1 October 2014.
- Note 8 - The Head of Community Health and Care Services took up post on 17 November 2014.
- Note 9 - The Head of Primary Care and Out of Hours was in post from 2 March 2015.

### 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 2014/15. 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.

2013/14 Total	Remuneration band	Number of Employees			Left During Year
		2014/15 Officers	2014/15 Teachers	2014/15 Total	
60	£50,000 – £54,999	35	41	76	11
25	£55,000 – £59,999	16	10	26	7
6	£60,000 – £64,999	12	2	14	8
4	£65,000 – £69,999	6	-	6	5
8	£70,000 – £74,999	6	6	12	5
11	£75,000 – £79,999	16	-	16	8
3	£80,000 – £84,999	1	1	2	2
1	£85,000 – £89,999	2	-	2	1
2	£90,000 – £94,999	2	-	2	2
1	£95,000 – £99,999	-	-	-	-
2	£100,000 – £104,999	5	-	5	1
-	£105,000 – £109,999	1	-	1	1
1	£110,000 – £114,999	-	-	-	-
1	£120,000 – £124,999	-	-	-	-
-	£125,000 – £129,999	3	-	3	2
1	£145,000 – £149,999	-	-	-	-
-	£150,000 – £154,999	1	-	1	1
-	£190,000 – £194,999	1	-	1	1
<b>126</b>		<b>107</b>	<b>60</b>	<b>167</b>	<b>55</b>

# Remuneration Report

## *Pension Benefits*

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). This is a contributory scheme with employee contributions of between 5.5% and 12.0% dependent on salary.

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is adjusted for the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends.

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 is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of and made contributions to the scheme. The scheme's normal retirement age for both councillors and employees is 65.

Contribution rates from scheme members are based on earnings and are deducted from their salaries. The scheme members' contribution rates for 2014/15 range from 5.5% to 12.0% (2013/14: 5.5% to 12.0%). For part-time staff the contribution rate is worked out on the full-time pay rate for the job, with actual contributions paid on actual pay earned. Full details on contribution rates can be found at [www.spfo.org.uk](http://www.spfo.org.uk).

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a 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 pension entitlements for Senior Councillors for the year to 31 March 2015 and the contributions made by the Council to each Senior Councillors pension as defined by the Local Government Pension Scheme are shown in the following table;

## Remuneration Report

Name and Position Held	In-year Pension Contributions			Accrued Pension Benefits	
	For year to	For year to		As at	Difference from
	31 March 2015	31 March 2014		31 March 2015	31 March 2014
	£	£		£000	£000
A Brown	4,750	4,613	Pension	3	-
Senior Councillor			Lump Sum	2	-
J Buchanan	4,750	4,613	Pension	8	1
Senior Councillor (See note 1)			Lump Sum	15	-
J Campbell	4,033	3,917	Pension	3	1
Depute Provost			Lump Sum	2	-
T Cook	4,839	4,700	Pension	3	-
Depute Leader of the Council			Lump Sum	2	-
I Linton	4,750	4,613	Pension	3	-
Senior Councillor			Lump Sum	2	-
E MacColl	4,750	4,613	Pension	1	-
Senior Councillor			Lump Sum	-	-
R McDill	4,750	4,613	Pension	3	-
Senior Councillor			Lump Sum	2	-
W Menzies	4,839	4,700	Pension	3	1
Chair of Governance and Scrutiny			Lump Sum	1	-
K Morrice	4,750	4,613	Pension	4	1
Senior Councillor			Lump Sum	2	-
S Primrose	4,750	4,613	Pension	1	-
Senior Councillor			Lump Sum	-	-
D Reid	6,453	6,267	Pension	4	-
Leader of the Council			Lump Sum	3	-
J Todd	4,839	4,700	Pension	3	-
Provost			Lump Sum	2	-
<b>Total</b>	<b>58,253</b>	<b>56,575</b>			

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

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

### Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2015 and the contributions made by the Council as defined by the Local Government Pension Scheme, are shown in the following table. The pension benefits 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 for employees and employers are set by Strathclyde Pension Fund.

## Remuneration Report

Name and Post Title	In-year Pension Contributions		Accrued Pension Benefits		
	For year to 31 Mar 2015	For year to 31 Mar 2014		As at 31 Mar 2015	Difference from 31 Mar 2014
	£	£		£000	£000
F Lees Chief Executive	23,946	23,484	Pension	60	3
			Lump Sum	143	3
G Short Executive Director of Educational and Social Services	21,618	21,404	Pension	53	3
			Lump Sum	124	1
E Morton Depute Chief Executive and Executive Director of Neighbourhood Services	19,923	19,726	Pension	55	2
			Lump Sum	134	2
A McPhee Executive Director of Finance and Corporate Support	19,923	19,726	Pension	49	3
			Lump Sum	115	1
D Mitchell Solicitor to the Council/Head of Legal, Procurement and Regulatory Services	16,543	16,380	Pension	30	2
			Lump Sum	63	1
M Rose Head of Human Resources	15,189	15,039	Pension	42	2
			Lump Sum	101	1
M Roulston Head of Corporate Infrastructure	15,189	15,039	Pension	23	1
			Lump Sum	41	-
W Walkinshaw Head of Democratic Services	14,159	13,883	Pension	35	2
			Lump Sum	84	2
C McArthur Head of Finance	15,189	15,039	Pension	25	1
			Lump Sum	52	1
J Griffiths Head of Leisure Services	n/a	5,728	Pension	n/a	n/a
			Lump Sum	n/a	n/a
C McAleavey Head of Housing and Environment Services, and then Acting Executive Director of Neighbourhood Services	19,923	18,771	Pension	53	5
			Lump Sum	128	7
G Darroch Acting Head of Housing and Environment Services (from 6 Jun 2013)	15,189	12,059	Pension	34	4
			Lump Sum	79	8
S Turner Head of Ayrshire Roads Alliance (from 1 Apr 2014)	15,189	n/a	Pension	2	n/a
			Lump Sum	-	n/a
J Bryson Head of Roads (until 30 Apr 2013)	n/a	1,490	Pension	n/a	n/a
			Lump Sum	n/a	n/a

## Remuneration Report

Name and Post Title	In-year Pension Contributions		Accrued Pension Benefits		
	For year to 31 Mar 2015	For year to 31 Mar 2014		As at 31 Mar 2015	Difference from 31 Mar 2014
	£	£		£000	£000
K Aitken Acting Head of Roads and Transportation (1 Apr 13 - 31 Mar 14)	n/a	14,278	Pension Lump Sum	n/a n/a	n/a n/a
David McDowall Acting Head of Planning and Economic Development	13,326	n/a	Pension Lump Sum	33 75	n/a n/a
A Neish Head of Planning and Economic Development	4,788	15,039	Pension Lump Sum	36 88	- -
A Ward Acting Head of Schools	11,820	11,480	Pension Lump Sum	Refer to Note 1	
K Gilmour Head of Community Support	15,189	15,038	Pension Lump Sum	36 83	2 -
E Couperwhite Head of Resources (until 31 Mar 2014)	n/a	14,701	Pension Lump Sum	n/a n/a	n/a n/a
R Gourlay Head of Facilities Management	14,513	14,370	Pension Lump Sum	37 88	2 1
A Kennedy Acting Head of Facilities Management	14,513	14,370	Pension Lump Sum	19 35	1 -
S Taylor Head of Children and Families / Criminal Justice	15,189	15,039	Pension Lump Sum	31 69	2 -
E Fraser Director of EastHealth and Social Care Partnership (Note 2)	19,923	16,018	Pension Lump Sum	38 82	9 16
Jim Lyon Acting Head of Children and Families / Criminal Justice	1,461	n/a	Pension Lump Sum	38 90	n/a n/a
A Black Head of Community Health and Care Services	5,259	n/a	Pension Lump Sum	- -	n/a n/a
P Milliken Head of Primary Care and Out of hours	876	n/a	Pension Lump Sum	- -	n/a n/a
H McGee Head of Community Care (Note 2)	8,060	n/a	Pension Lump Sum	35 85	n/a n/a
E Mackay Chief Auditor	11,202	10,775	Pension Lump Sum	20 43	1 1
<b>Total</b>	<b>348,099</b>	<b>338,876</b>			

Note 1 - Acting Head of Schools is a member of the Teachers Pension Scheme administered by the Scottish Public Pensions Agency (SPPA). Requests have previously been made to the SPPA to furnish the postholder and the Council with details of the pension and lump sum details required as part of this disclosure. Unfortunately the information was not provided.

Note 2 - Postholder of the Head of Community Care and the Chief Social Work Officer until 2 March 2014 and was then appointed as the Director of the East Ayrshire Health and Social Care Partnership.

# Remuneration Report

## Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. Exit package values include redundancy, pension strain, and compensatory lump sum for all retirees. The values also include the notional capitalised cost of compensatory added years ("added years"). These are based on an assessment by the pensions provider of the present value of all future payments to the retiree until death. The number of exit packages with total cost per band and cost of the compulsory and other redundancies are set out in the table. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. £0.748m for severance costs was funded in 2014/15 approved either by Cabinet or under the Head of Human Resources' delegated authority.

2013/14					2014/15					
No	Compulsory Redundancies		Other Departures		Exit Packages Bands	No	Compulsory Redundancies		Other Departures	
	Cash Value	Notional CAY Value	Cash Value	Notional CAY Value			Cash Value	Notional CAY Value	Cash Value	Notional CAY Value
	£	£	£	£			£	£	£	£
86	-	-	1,077,508	20,195	£0 – £20,000	22	-	-	113,769	54,155
93	16,249	-	2,271,430	451,656	£20,001 – £40,000	19	-	-	91,193	404,162
46	-	-	2,035,952	198,940	£40,001 – £60,000	8	-	-	57,587	325,265
17	69,313	-	845,721	217,245	£60,001 – £80,000	3	-	-	65,071	125,708
8	-	-	545,979	168,616	£80,001 – £100,000	1	-	-	51,483	47,650
8	-	-	642,092	318,643	£100,001 – £150,000	1	-	-	76,153	33,947
4	-	-	356,592	270,877	£150,001 – £200,000	1	-	-	156,830	36,042
-	-	-	-	-	£200,001 – £250,000	1	-	-	136,314	88,897
<b>262</b>	<b>85,562</b>	<b>-</b>	<b>7,775,274</b>	<b>1,646,172</b>		<b>56</b>	<b>-</b>	<b>-</b>	<b>748,400</b>	<b>1,115,826</b>

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

**Councillor Douglas Reid**  
**Leader of the Council**  
**24 September 2015**

**Fiona Lees**  
**Chief Executive**  
**24 September 2015**

## Common Good Account

The Common Good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these Funds but they are not Council assets and have not been included in the Council's Balance Sheet.

### Movement in Reserves Statement for the Year ended 31 March 2015

2013/14			2014/15		
Usable Reserve: Capital and Revenue	Unusable Reserves : Revaluation Reserve	Total Reserves	Usable Reserve: Capital and Revenue	Unusable Reserves : Revaluation Reserve	Total Reserves
£m	£m	£m	£m	£m	£m
0.207	6.843	7.050	0.209	6.569	6.778
(0.147)	-	(0.147)	(0.286)	-	(0.286)
-	(0.125)	(0.125)	-	3.935	3.935
0.149	(0.149)	-	0.288	(0.288)	-
<b>0.209</b>	<b>6.569</b>	<b>6.778</b>	<b>0.211</b>	<b>10.216</b>	<b>10.427</b>
Balance at 31 March 2014			Balance at 31 March 2015		
Surplus / (Deficit) on the Provision of Services			Surplus / (Deficit) on the Provision of Services		
Surplus / (Deficit) on the Revaluation of Fixed Assets			Surplus / (Deficit) on the Revaluation of Fixed Assets		
- Depreciation of Non Current Assets			- Depreciation of Non Current Assets		

### Comprehensive Income and Expenditure Statement for the Year ended 31 March 2015

2013/14			2014/15		
Expenditure	Income	Net	Expenditure	Income	Net
£m	£m	£m	£m	£m	£m
0.149	-	0.149	0.288	-	0.288
-	(0.002)	(0.002)	-	(0.002)	(0.002)
<b>0.147 (Surplus) or Deficit</b>			<b>0.286</b>		
0.125 (Surplus) or deficit on revaluation of fixed assets			(3.935)		
<b>0.272 Total Comprehensive (Income) / Expenditure</b>			<b>(3.649)</b>		
Net Cost Of Services			Net Cost Of Services		
Interest and Investment Income			Interest and Investment Income		

### Balance Sheet at 31 March 2015

2013/14		2014/15
£m		£m
6.569	Property Plant and Equipment	10.216
<b>6.569</b>	<b>Non Current Assets</b>	<b>10.216</b>
0.209	Short Term Investments - Loans Fund	0.211
<b>0.209</b>	<b>Current Assets</b>	<b>0.211</b>
<b>6.778</b>	<b>Net Assets</b>	<b>10.427</b>
0.209	Usable Reserves: Capital and Revenue Reserves	0.211
6.569	Unusable Reserves: Revaluation Reserve	10.216
<b>6.778</b>	<b>Net Reserves</b>	<b>10.427</b>

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

Cost or Valuation:	Stewarton	Darvel	Newmilns	Cumnock	Galston	Kilmarnock	TOTAL
	£m						
At 1 April 2014	0.161	0.760	0.228	0.724	0.040	5.348	7.261
Revaluations	-	0.516	(0.158)	0.482	-	2.456	3.296
<b>At 31 March 2015</b>	<b>0.161</b>	<b>1.276</b>	<b>0.070</b>	<b>1.206</b>	<b>0.040</b>	<b>7.804</b>	<b>10.557</b>
Depreciation and Impairment:							
At 1 April 2014	(0.016)	(0.100)	(0.071)	(0.074)	(0.002)	(0.429)	(0.692)
Depreciation charge	(0.004)	(0.039)	(0.005)	(0.040)	(0.001)	(0.199)	(0.288)
Depreciation written out - Revaluations	-	0.100	0.071	0.041	-	0.427	0.639
<b>At 31 March 2015</b>	<b>(0.020)</b>	<b>(0.039)</b>	<b>(0.005)</b>	<b>(0.073)</b>	<b>(0.003)</b>	<b>(0.201)</b>	<b>(0.341)</b>
<b>Net Book Value at 31 March 2014</b>	<b>0.145</b>	<b>0.660</b>	<b>0.157</b>	<b>0.650</b>	<b>0.038</b>	<b>4.919</b>	<b>6.569</b>
<b>Net Book Value at 31 March 2015</b>	<b>0.141</b>	<b>1.237</b>	<b>0.065</b>	<b>1.133</b>	<b>0.037</b>	<b>7.603</b>	<b>10.216</b>

## Trusts and Bequests

The Council administers a number of charitable funds which are registered with the Office of the Scottish Charities Regulator (OSCR). The Funds are not assets available to the Council and have not been included in the Council's Balance Sheet. The Trusts operate as registered charities and produce separate financial statements, published on the OSCR website at [www.oscr.org.uk](http://www.oscr.org.uk).

2013/14			2014/15		
Capital Fund	Revenue Fund	Total Funds	Capital Fund	Revenue Fund	Total Funds
£	£	£	£	£	£
41,270.61	440,398.43	481,669.04	41,085.91	417,342.03	458,427.94
-	-	-	-	8,427.52	8,427.52
(198.61)	(25,567.15)	(25,765.76)	(5,392.55)	(11,505.23)	(16,897.78)
13.91	2,510.75	2,524.66	43.00	8,957.86	9,000.86
(184.70)	(23,056.40)	(23,241.10)	(5,349.55)	5,880.15	530.60
41,085.91	417,342.03	458,427.94	35,736.36	423,222.18	458,958.54

2013/14	Balance Sheet as at 31 March 2015	2014/15
£		£
3,808.00	Investments - External	2,056.45
454,619.94	Investments - Loans Fund	456,902.09
458,427.94		458,958.54
<b>Financed By:</b>		
41,085.91	Capital Funds	35,736.36
417,342.03	Revenue Funds	423,222.18
458,427.94	Closing Balance at 31 March 2015	458,958.54

Name	Origin and Purpose	Loans Fund	External investment	Total
		£	£	£
John Fulton Soup Kitchen Trust (SCO19300)	To Distribute Soup to The Poor	-	-	-
James Murdoch Trust (SCO19305)	Provide An Annual Payment To One Poor Aged Deserving Kilmarnock Resident	4,020.99	-	4,020.99
Tannock's Trust (SCO19304)	To Provide Annuities to Females	-	-	-
Archibald Taylor Fund (SCO19308)	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescence	394,941.23	-	394,941.23
Newmilns Benevolent Association (SCO45333)	The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage	8,653.02	-	8,653.02
East Ayrshire Emergency Relief Trust (SCO24411)	Assistance for any organisation, body, resident or person suffering hardship, poverty or distress due to emergency, natural disaster, flood, subsidence, severe weather, or fire, or for such other reason as the trustees may agree	8,868.14	-	8,868.14
Graham Ramage Trust (SCO25073)	To benefit Cumnock residents	3,031.29	1,026.45	4,057.74
Sommerville Trust (SCO25073)	Relief of Poor - Sorn Parish	718.12	-	718.12
Mrs E McWhirter Trust (SCO25073)	To maintain burial grounds at Dalmellington	656.95	1,030.00	1,686.95
Miss Annie Smith Mair Bequest (SCO21095)	To assist persons from Newmilns and Greenholm	36,012.35	-	36,012.35
		456,902.09	2,056.45	458,958.54

The Council also administers 33 Trusts which are not registered with OSCR. The combined income of these Trusts in 2014/15 was £1,260 and expenditure was £1,546. The total assets of the Trusts at 31 March 2015 was £56,773.

## 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 fixed asset or expenditure which adds to, and not merely maintains, the value of an existing fixed asset.

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

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

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

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

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

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

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

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

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

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

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

**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 fixed 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.

## Glossary of Terms

**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 financial statements must be complete (within the bounds of materiality and cost), and free from bias and material error. The extent to which information has been estimated and judgements made have been reported.

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

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

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

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

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

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

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

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

**Group Accounts.** The purpose of group accounts is to show the Council's interest in organisations and companies within the Financial Statements. 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 fixed or financial asset below the valuation held on the balance sheet.

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

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

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

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

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

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

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

## Glossary of Terms

**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 fixed 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 fixed assets not yet realised through sales.

**Service Expenditure Analysis (SEA).** An analysis which groups together expenditure on services within headings or divisions as defined in the Service Reporting Code of Practice (SeRCOP).

**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 fixed asset.

# Independent Auditor's Report

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

I certify that I have audited the financial statements of East Ayrshire Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements of the council and its group comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement, the authority only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account, the Council Tax Income Account, the Non Domestic Rate Account, the Common Good Account, the Trusts and Bequests and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## **Respective responsibilities of the Depute Chief Executive and Chief Financial Officer, and auditor**

As explained more fully in the Statement of Responsibilities, the Depute Chief Executive and Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the authority and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Depute Chief Executive and Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

# Independent Auditor's Report

## Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 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.

## Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

**Fiona Mitchell-Knight FCA**

**Assistant Director, Audit Services**

**Audit Scotland**

**4th Floor, The Athenaeum Building**

**8 Nelson Mandela Place, Glasgow, G2 1BT**

**24 September 2015**