EAST AYRSHIRE COUNCIL

ANNUAL ACCOUNTS
2022/23

East Ayrshire Council
Comhairle Siorrachd Àir an Ear

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MANAGEMENT COMMENTARY

MANAGEMENT COMMENTARY

Welcome to the Annual Accounts for East Ayrshire Council and its group for the year ended 31 March 2023. This management commentary is designed to help users of our Annual Accounts understand and assess our financial performance during 2022/23. It outlines our approach to some of the challenges and risks we face as we continue to deliver positive outcomes for our communities whilst maintaining sound financial stability.

2022/23 has seen the impact of the pandemic cause further strain and challenge on our services, made worse by the cost of living crisis which added further pressures on our residents and businesses. As a Council, we continue to take the decisions necessary to maintain sound financial management, but we do so against the multi-facetted challenges we face in the medium term. Our preparations involve the inclusion of a suite of Resilience Indicators in our Medium Term Financial Strategy, which was approved by Council in October 2022. These indicators will help provide performance information as well as early notice of the challenges that lie ahead, enabling us to take action to maintain financial stability and provide the necessary resources to deliver our Strategic Plan and support our communities.

The stubbornly high level of inflation that has existed throughout 2022/23 has meant that our costs have become significantly higher, particularly our energy, food and construction costs with the rate of inflation also driving higher pay awards. All of this has had to be met from a finite funding pot. The Audit Scotland Overview Report, published in May 2023, provided a practical route map for the relationship between Local Government and the Scottish Government going forward. It stresses that maintaining the status quo is no longer viable and that the need to change and innovate is needed now more than ever. As a Council, we recognised this some time ago and sought and received approval to establish a £3m Innovation Fund to support change, early intervention and prevention and realise gains from our Workforce and Digital Strategies. 2022/23 was also the year when the new Council, elected in May 2022, approved our Strategic Plan; Medium Term Financial Strategy; Workforce Strategy; and Digital Strategies; key documents that set out the strategic direction for the Council and its services through to 2027.

In February 2023, Council met to approve the 2023/24 Revenue Budget and did so without using our reserves, which is testament to the professionalism, dedication and care our Elected Members take towards balancing the needs of our communities, with managing effectively the financial resources of the Council.

As service budgets progressed through 2022/23, it was clear that they were absorbing significant pressures caused by inflation, price increases and increased service demand. The Council's Reserves Strategy notes that where a service underspends, then this amount is added to the service budget the following year, and where a service overspends, then this is the first charge against the forthcoming year's budget. During the year, indications were that several services were likely to end the year in an overspend position which would lead to further challenges being experienced in 2023/24. However, by services working collaboratively, identifying options to offset pressures and by Cabinet approving the utilisation of alternative funding sources, then all but one of our service budgets was able to end the year in an underspend or breakeven position. This is a remarkable feat given the volatility and uncertainty that service budgets experienced in 2022/23 and I recognise the hard work of Elected Members and budget holders in getting to this final outturn position, a position where we were also able to add to our General Fund Uncommitted Balance.

As we end 2022/23 and begin 2023/24 we will review our 2023 – 2027 capital programme and prioritise projects following the creation of a borrowing cap set at 8% of the Council's General Fund Net Revenue Stream that was approved by Council in February 2023 and which will see a further £250m spent on new and renewed capital assets.

In all of our work, the aim is to maintain sound financial management. This stable foundation allows the Council to react to change and redesign to better reflect the needs, aspirations, expectations and demands of our residents, protecting those services most valued by our communities.

ABOUT EAST AYRSHIRE

COUNCILLORS
32 elected members

14 SNP

10 Labour

4 Conservative

3 Independent

1 Rubbish Party

COUNCIL WORKFORCE
6,779

Female 5,077 75%

Male 1,702 25%

BUDGETS
2022/23 Revenue Budget:
£370.656m

2022/23 Capital Budget:
£130.280m

LARGEST TOWNS
Kilmarnock population:
46,970

Cumnock population:
8,700

POPULATION
122,020

Male: 48.5% Female: 51.5%

Ages 0-15: 17%

Ages 16-64: 62%

Ages 65+: 21%

ECONOMY
76%
adults in employment

3,225
businesses operating across the area

LAND AREA
490 square miles

Urban Land: 3.5%

Rural land: 96.5%

INFRASTRUCTURE
299 council buildings

12,046 council houses

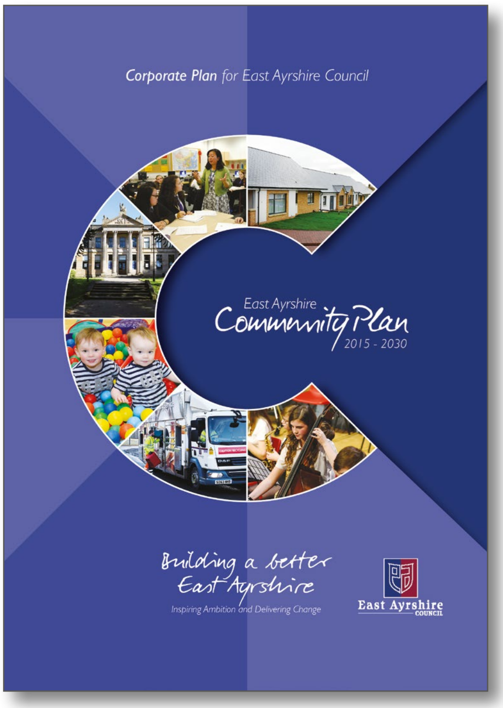
1,222.433 km of road network

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

MANAGEMENT COMMENTARY

OUR VISION AND PRIORITIES

East Ayrshire Community Plan is recognised by all Community Planning Partners as our sovereign plan and provides the overarching strategic context around what we and our partners want to achieve with and for the communities of East Ayrshire in the period from 2015 to 2030.



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

(Source: East Ayrshire Community Plan 2015-2030)

East Ayrshire Community Planning Partnership comprises representation from the following organisations: the Council; NHS Ayrshire and Arran; Police Scotland (including Police Authority); Scottish Fire and Rescue Service; Scottish Enterprise; Ayrshire College; Strathclyde Partnership for Transport; Skills Development Scotland; East Ayrshire Health and Social Care Partnership; Ayrshire Chamber of Commerce and Industry; Scottish Government; Voluntary Action East Ayrshire (Third Sector Interface); and the community through representatives of Community Councils and Community Led Action Plans. Community planning in East Ayrshire operates on a three yearly cycle which provides a regular planned opportunity to review and adapt our work to take account of new and emerging challenges and to ensure continued delivery of our shared partnership vision for East Ayrshire. The most recent review took place in 2020/21, providing an opportunity for us to review and reset our partnership priorities for 2021-24.

As part of the Review process, Members of the Council and the Community Planning Partnership Board adopted the Ayrshire Growth Deal and the Caring for Ayrshire Transformational Change Programme as shared high-level strategic priorities for the three-year period 2021-2024.

The wider thematic priorities of our Community Plan continue to be progressed through the implementation of three strategic partnership Delivery Plans:

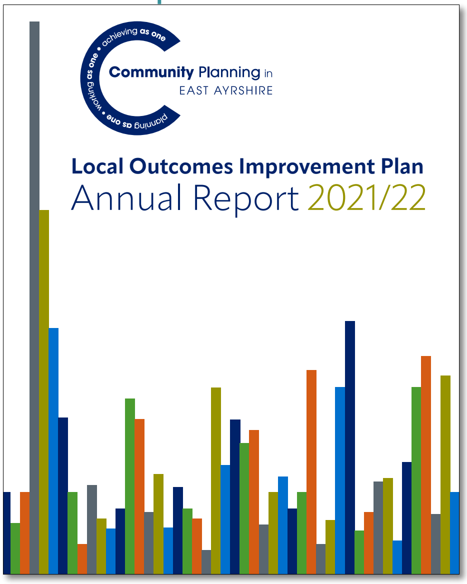
- **Economy and Skills**
- **Safer Communities**
- **Wellbeing**

Individual partners' strategic and operational plans are aligned to this overarching community planning framework, and reflect our shared priorities.

For the Council, the East Ayrshire Council Strategic Framework 2022-27 sits between the Community Plan and the Council's Service Improvement Plans and strategies, describing how we as a Council will deliver on the shared ambitions that we have for our communities.

OUR PERFORMANCE

Partnership Performance



[The Local Outcomes Improvement Plan 2021-24 (LOIP)]() underpins our Community Plan and provides the performance management framework against which we demonstrate progress and achievement towards improving outcomes for our communities and local people.

Our performance is reported annually to a joint meeting of the Council and the Community Planning Partnership Board in September. The LOIP Improvement Agenda supports our work to improve performance going forward.

The most recent annual reporting materials were presented to the Council in September 2022.

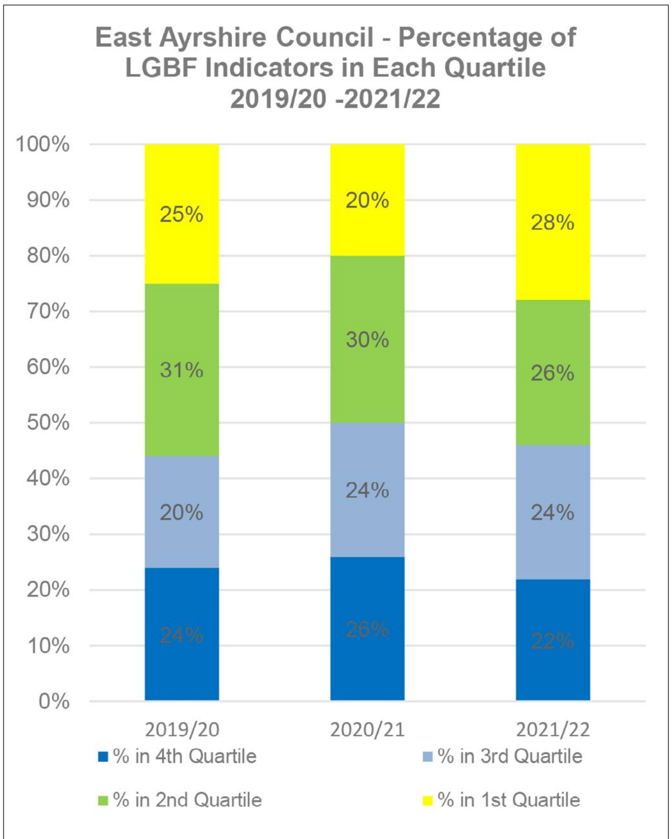
Council Performance

Council performance is reflected in the annual LOIP reporting materials, and Council Service performance is demonstrated through a range of Statutory Performance Indicators, which are reported to the Council on an annual basis, as part of the wider performance reporting process. Further information on our services is available on the Council's website at this link.

Comparing Our Performance

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

The latest LGBF data available (2021/22) was published in March 2023 and helps councils to compare their performance against a set of efficiency, output and outcome indicators that cover a range of service areas of local government activity. In 2021/22, 53.7% of our LGBF indicators in East Ayrshire were in the top two quartiles. In addition, we have seen an improving longer term trend in 62.2% of performance indicators between 2010/11 and 2021/22, and improving/maintaining performance in 64.6% of indicators between 2020/21 and 2021/22. A copy of the 2021-22 LGBF Benchmarking Report can be accessed here.



In 2021/22, some examples of where our performance was among the top performing councils in Scotland include:

- Proportion of people earning less than living wage (1)
- Percentage of council dwellings that are energy efficient (1)
- Cost of parks and open spaces per 1,000 population (1)
- Cost per attendance at sports facilities (2)
- Literacy Attainment Gap (P1, P4, P7 combined - % point gap between the least deprived and most deprived pupils (2)

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

- Proportion of care services graded 'good' or better' in Care Inspectorate inspections (31)
- Percentage of unemployed people assisted into work from council operated/funded employability programmes (30)
- Claimant Count as a % of the 16-24 population (30)
- Cost of planning and building standards per planning application (31)
- Ratio of Financing Costs to Net Revenue Stream – General Fund (30)

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

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

2022/23 HIGHLIGHTS

At a meeting of Council on 27 October 2022, Members approved the Council's Strategic Framework 2022-27, including 4 separate but linked strategy papers which make up the strategic framework, namely:

- **East Ayrshire Council Strategic Plan 2022-27 – Action Plan;**
- **East Ayrshire Council Medium Term Financial Strategy 2022-27;**
- **East Ayrshire Council Workforce Strategy 2022-27; and**
- **East Ayrshire Council Digital Strategy to 2027 and beyond.**

The Council's Strategic Plan provides a bridge between the Community Plan and the Council's Service Improvement Plans and strategies. It describes how we as a Council will deliver on the ambitions we have for our communities and is both underpinned by and aligned with the Council's Financial, Workforce and Digital strategies.

In developing the Strategic Plan Action Plan, we have sought to ensure a clear alignment between our Council Plan, Community Planning Partnership, National Performance Framework and the Local Government Benchmarking Framework and to demonstrate a pace and depth of improvement that will lead to the realisation of our priorities and long term sustainability of services.

Based on previous feedback from External Audit, we have sought to ensure a clear demonstration of alignment between key plans and strategies and to focus on arrangements for supporting, monitoring and delivering expected outcomes and continuous improvement.

The Strategic Framework agreed by Council will ensure good governance and a focus on improvement, to deliver the best possible outcomes for our communities. The introduction of the Strategic Plan and associated action plan, as a bridge between our Community Plan and Services, will strengthen and enhance the 'golden thread' linking our high-level strategic priorities with more specific objectives for services, teams and individuals and ensure clear performance and impact measures, at each level of planning, all for the benefit of those we serve.

EXTERNAL VALIDATION

Our performance is subject to scrutiny by a range of external audit and inspection agencies, which provide assurance that our services are well managed, fit for purpose, value for money and, importantly, meet the needs of service users. In addition, a range of our work has been widely recognised locally and nationally, and has been successful in attracting a number of prestigious awards over the year. Examples of our achievements in 2022/23 include the following:

Scotland Loves Local Awards 2022 - Cumnock retailer – High Street Hero award winner.

Visa Awards 2023 - Kilmarnock, Cumnock & other town centres – Lets Celebrate Towns Award winner.

BCO UK National Awards 2022 - HALO Kilmarnock – Highly Commended.

IESE Awards 2023 - EA H&SCP (Help Everyone at the Right Time). Customer Focus Award (bronze winner). Education & Early Learning Document Portfolio. Award for Efficiency & Effectiveness (bronze winner). EA H&SCP Social Care Learning Hub. People, Value, Culture Award (silver winner). EA Climate Change Strategy. Working Together Award (bronze winner).

APSE Awards 2022 - Best Service Team, Housing, Construction & Building Services. Finalist.

SURF Awards 2022 – Centrestage, Creative Regeneration Award. Finalist.

Scottish Public Service Awards 2022 - Local Authority Fresh and Organic Food Network. Sustainability Award winner.

OUR FINANCIAL PERFORMANCE

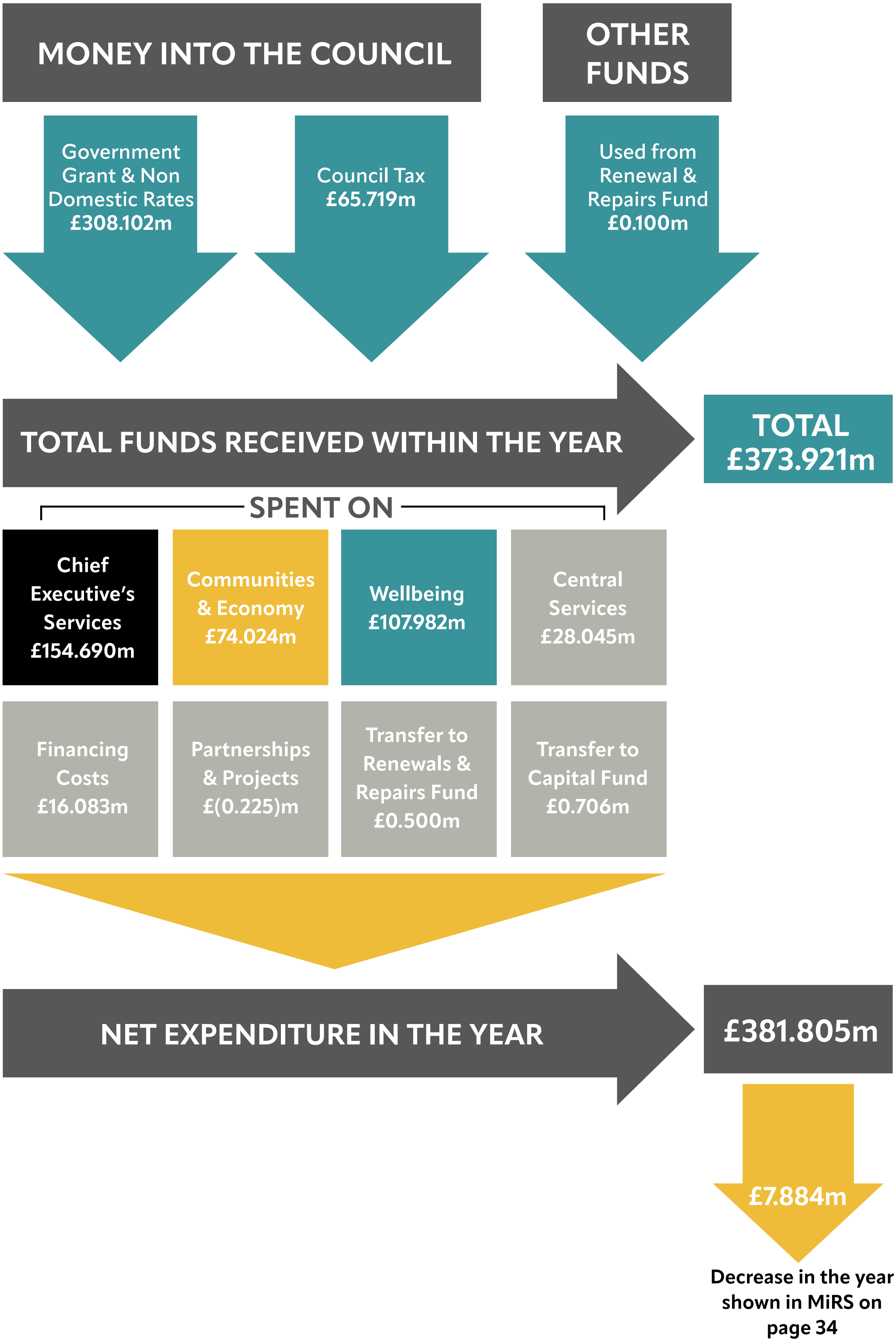
Financial information is a key element of our performance management framework and East Ayrshire Performs reports are presented to Cabinet and to the Governance and Scrutiny Committee at key times throughout the year and are available on our website. Our management accounting arrangements are aligned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

Our Outturn East Ayrshire Performs report presented to Cabinet on 14 June 2023 showed a transfer to reserves of £0.694m. However, for the purposes of these Accounts we are required to follow generally accepted accounting principles and standards which align our Accounts to those in the private sector and these include entries for pensions and depreciation on our non-current assets. The following table sets out the adjustments between East Ayrshire Performs and these Accounts.

	General Fund £m	HRA £m	Total EAC £m
Reduction/(Increase) in Uncommitted General Fund/HRA Balance (EAC Performs Outturn)	**(0.694)**	**(3.003)**	**(3.697)**
Adjust for:			**-**
Utilisation of previous years balances	14.187	-	**14.187**
Proposed earmarked balances within the year	(5.609)	-	**(5.609)**
Movement in Balance shown in Annual Accounts (MiRS)	**7.884**	**(3.003)**	**4.881**
Add accounting adjustments that don't feature in the EAC Performs Outturn report			
Depreciation	25.792	12.652	**38.444**
Impairment	11.610	12.567	**24.177**
Amortisation	0.221	-	**0.221**
Capital Grants and Contributions Applied	(9.011)	(3.129)	**(12.140)**
CFCR	(0.143)	(3.284)	**(3.427)**
Net (Loss)/Gain on Disposal of Assets	(0.227)	(0.550)	**(0.777)**
Pension Adjustment	28.157	3.434	**31.591**
Repayment of Debt	(12.045)	(3.950)	**(15.995)**
Other Adjustments	0.410	(0.067)	**0.343**
Transfers to Capital Fund	(0.706)	-	**(0.706)**
Transfers from Other Statutory Reserves	(0.400)	-	**(0.400)**
Interest on Revenue Balances	(0.295)	-	**(0.295)**
Total adjustments excluded from EAC Performs Outturn	**43.363**	**17.673**	**61.036**
(Surplus)/ Deficit on the Provision of Services (CIES)	**51.247**	**14.670**	**65.917**

General Fund Revenue Expenditure

The MiRS on page 34 shows a decrease of £7.884m within the year and actual income and expenditure is shown below. During the year a net £0.400m was transferred to the Renewal and Repairs Fund and £0.706m transferred to the Capital Fund.



*The CIES on page 36 shows the accounting cost of providing services and reflects generally accepted accounting practices, rather than the amount to be funded from taxation or rents. This is the main reason for the difference in Council Tax income from the figure highlighted above.

Telling the Story

The Comprehensive Income and Expenditure Statement (CIES) sets out our funding and spending in line with accounting requirements which is different to the way we report financial performance internally. The Expenditure and Funding Analysis (EFA) provides a link between our budget management reports and the figures in the CIES. The table below provides a link between our management reporting to the first column of the EFA on page 32 and to the CIES on page 36.

	East Ayrshire Performs			Building the EFA					EFA Column 1
2022/23	Annual Revised Budget	East Ayrshire Performs Outturn	Variance (favourable) / adverse	East Ayrshire Performs Outturn	Movements	Movements - amounts not included within Net Cost of Services	Net Expenditure chargeable to the General Fund & HRA Balances	EFA Segment	Net Expenditure chargeable to the General Fund & HRA Balances
	£m	£m	£m	£m	£m	£m	£m		£m
Education	137.342	137.312	(0.030)	137.312	(17.077)	-	120.235	Education	120.235
Finance and ICT	8.912	7.944	(0.968)	7.944		-	7.944	Finance and ICT	7.944
People and Culture	3.381	3.177	(0.204)	3.177		-	3.177	People and Culture	3.177
Governance	6.400	5.434	(0.966)	5.434		-	5.434	Governance	5.434
Corporate Support	1.044	0.823	(0.221)	0.823		-	0.823	Corporate Support	0.823
Housing and Communities	18.637	18.393	(0.244)	18.393		-	18.393	Housing and Communities	18.393
Ayrshire Roads Alliance	12.271	12.291	0.020	12.291	(5.482)	-	6.809	Ayrshire Roads Alliance	6.809
Transport Services			-	-	5.482	-	5.482	Transport (incl SPT)	7.666
SPT	2.184	2.184	-	2.184		-	2.184		
Facilities and Property Management	31.514	30.909	(0.605)	30.909		-	30.909	Facilities and Property Management	30.909
Economic Growth	4.365	4.014	(0.351)	4.014		-	4.014	Economic Growth	4.014
Arms Length Organisations	5.629	5.629	-	5.629		-	5.629	Arms Length Organisations	5.629
Health and Safety	0.324	0.295	(0.029)	0.295		-	0.295		
Emergency Planning	0.064	0.057	(0.007)	0.057		-	0.057	Communities & Economy Other Segments	0.604
Central Mgt Support Communities & Economy	0.256	0.252	(0.004)	0.252		-	0.252		
Children Families and CJS	22.011	22.007	(0.004)	22.007	(2.646)	-	19.361		
Community Care	70.163	71.188	1.025	71.188		-	71.188		
Service Strategy	6.490	6.313	(0.177)	6.313		-	6.313		
Outwith Placements	5.400	6.246	0.846	6.246		-	6.246		
Public Protection	1.221	1.225	0.004	1.225		-	1.225		
Lead Partnership Services	0.699	0.740	0.041	0.740		-	0.740	Social Work: Provision of Services	96.540
SG Funding for Covid Response & Recovery	-	(3.633)	(3.633)	(3.633)		-	(3.633)		
Premises Costs	0.571	0.571	-	0.571		-	0.571		
IHSC Debtor / Creditor to IJB	1.427	3.325	1.898	3.325		-	3.325		
Social Care Allocation from NHS	(8.796)	(8.796)	-	(8.796)		-	(8.796)		
Chief Executive Office (incl Internal Audit)	0.677	0.637	(0.040)	0.637		-	0.637	Chief Executive Office (incl Internal Audit)	0.637
Other Non Service Related Expenditure	16.156	12.999	(3.157)	12.999		-	12.999		
Insurance	2.619	2.292	(0.327)	2.292		-	2.292		
Financing Costs	16.789	16.083	(0.706)	16.083		(18.901)	(2.818)		
HB/ CT Benefit Subsidy	11.106	12.117	1.011	12.117		(9.880)	2.237	Central Services	5.475
Council Tax	(65.382)	(65.719)	(0.337)	(65.719)		65.366	(0.353)		
Government Funding	(299.453)	(299.306)	0.147	(299.306)	19.723	270.701	(8.882)		
Use of Balances	(14.187)	-	14.187	-		-	-		
Reserve Transfers (net position)	(0.100)	1.106	1.206	1.106		(1.106)	-		
Projects	0.266	(0.225)	(0.491)	(0.225)		-	(0.225)	Projects	(0.225)
Housing Revenue Account	-	(3.003)	(3.003)	(3.003)		-	(3.003)	Housing Revenue Account	(3.003)
Net Cost of Services (EFA Column 1)	**0.000**	**4.881**	**4.881**	**4.881**	-	**306.180**	**311.061**		**311.061**

Note 1 The Annual Revised Budget is the final revenue budget at the 31 March 2023 detailed in the East Ayrshire Summary Report approved at Cabinet on the 14 June 2023 following in-year updates as a result of additional government funding allocations, budget movements and allocations from earmarked balances. The initial 2022/23 Revenue Budget was approved at Council on 24 February 2022.

Note 2 The £17.077m and the £2.646m in Education and Children, Families and Criminal Justice Service reflect the Specific Grants for Early Learning and Childcare, Pupil Equity Funding, Gaelic and Criminal Justice.

Note 3 The "Movements - amounts not included within Net Cost of Services" mostly relate to taxation and non-specific grant income and are reflected in the EFA and the CIES (below Net Cost of Service) in line with the presentational requirements of the Code.

General Fund Balance

The General Fund is the statutory fund into which all the receipts are required to be paid into and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. It is funded by Government Grants, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements) Fees and Charges and the balance is delineated between uncommitted balances and balances which have been earmarked for specific purposes. The MiRS on page 34 shows an overall decrease in the General Fund balance of £7.884m for the year with a closing balance of £49.132m which can be analysed as follows:

2021/22 Total £m	General Fund		Uncommitted Balance £m	Earmarked Balances £m	2022/23 Total £m
(16.163)	*Movement within the year*	Balance Used	(4.492)	(9.695)	(14.187)
17.496		Balance Added	0.694	5.609	6.303
-	Reallocation	Balances Review/In Year Transfers	5.392	(5.392)	-
1.333	**Total Increase / (Decrease) Shown in MiRS**		1.594	(9.478)	**(7.884)**
55.683	Balance brought forward		9.231	47.785	57.016
57.016	Outturn Position (Total Balance shown in MiRS)		10.825	38.307	**49.132**

When the Council set its budget for 2022/23 it approved, as part of its Reserves and Balances Strategy, a minimum level of uncommitted (unearmarked) reserves of 2% which is kept under review throughout the year with transfers to and from the balance. At 31 March 2023 the General Fund Uncommitted balance was £10.825m, representing 2.9% of net revenue expenditure.

Our Reserves and Balances Strategy also allows services to earmark and carry forward underspends into the next year for use on non-recurring, fixed term projects or to assist in aligning services with resources over a three year period. The earmarked balances are reviewed throughout the year and in line with our Balances Strategy an annual review of balances is reported to Cabinet. Within the year £5.392m was reallocated from earmarked balances to uncommitted balances, approved by Cabinet on 15 February 2023.

Service earmarked balances total £36.261m at 31 March 2023, with £2.046m retained for transformation projects. Committed within services balances is £1.671m Cost of Living Funding, £1.572m for Affordable Housing and £0.828m Pupil Equity Funding retained on behalf of schools. A summary of the position across the services at year-end was presented to Cabinet on 14 June 2023.

Housing Revenue Account (HRA) Balance

At 31 March 2023 the HRA had a cumulative balance of £23.808m all of which is earmarked for commitments in future years, with £12.507m identified for Housing Asset Management Framework, Strategic Housing Investment Plan and Housing Investment Programme initiatives. Movements on the HRA Reserves are as follows:

2021/22 Balance £m	Housing Revenue Account		2022/23 Balance £m
-	*Movement within the year*	Balance Used	-
2.256		Balance Added	3.003
2.256	**Total Increase Shown in MiRS**		**3.003**
18.549	Balance Brought Forward		20.805
20.805	**Outturn Position**		**23.808**

Balance Sheet

The Balance Sheet on page 37 is a snapshot summary of our assets and liabilities at 31 March 2023 and explanatory notes are provided to support the numbers. We ended the year with a net worth of £458.999m with £1,066.662m of non-current assets spread across a range of plant, property, equipment and heritage assets and usable reserves of £95.883m.

Our Capital Programme and Investment

We recognise the importance to our communities of having access to attractive, modern and fit-for purpose facilities and continue to support an ambitious schools investment programme as part of our £346m General Services Capital Investment Programme and £153m investment in our houses through the Housing Revenue Account over the next 10 year period.

Education **£17.226m**

Housing **£29.569m**

Roads **£13.247m**

Wellbeing **£0.875m**

EconomicRegeneration & Development **£1.419m**

Other Expenditure **£10.208m**

Total Capital Investment 2022/23 £72.544m

Funded by:

Government Grants **£12.140m**

Borrowing **£55.368m**

Revenue **£3.427m**

Capital Receipts **£1.609m**

Total £72.544m

During the year our total capital investment on General Fund services was £42.975m spent on developing and creating key assets for communities, including investment in roads, schools and business infrastructure. This was funded by £9.011m from government grants, £0.143m of revenue funding and borrowing of £33.821m.

A further £29.569m was spent on the Housing Capital Programme on building, improving and acquiring assets in 2022/23 including the creation of council houses in our town centres, delivering new homes and local regeneration. This capital investment programme was funded by £3.284m from current revenue, borrowing of £21.547m, the utilisation of capital receipts of £1.609m and government grants of £3.129m.

Scheme Highlights

Cultural Kilmarnock Project

The Council was informed on 18 January 2023 that it had been successful in securing UK Government Levelling Up Funding (LUF) of £20m for the Cultural Kilmarnock project, one of only ten projects in Scotland to secure LUF funding. In addition to the Council's capital funding of £5m, grant-funding bids totalling £4m have also been made to organisations including Heritage Lottery Fund and Historic Environment Scotland to provide an overall project budget of £29m. RIBA Stage 3 (Spatial Coordination) design development has now commenced and a detailed delivery programme will be prepared to reflect the conditions of the LUF grant.

Cultural Kilmarnock is an extensive project that involves an area to the east of the town centre and includes culturally significant buildings including the Palace Theatre, Grand Hall and the Dick Institute.

The design of a 'Cultural Park' that creates green corridors and active travel routes between these key heritage assets and the town centre will provide increased opportunities for outdoor performances and events. The project also includes major reimagining of the Palace Theatre and Grand Hall to create a regional concert hall and theatre with extensive improvements to the accessibility and energy efficiency.

The exciting and ambitious project also promises to assist in increased employment and training opportunities within the creative industries, will contribute to local economy through high-profile programming attracting people from out with Kilmarnock and will develop wellbeing initiatives through community engagement and participation in programmes and activities, including the creation of a Young People's Theatre.

This project is being developed in partnership with East Ayrshire Leisure Trust and will link into the Kilmarnock Town Centre Strategic Regeneration Framework developed under the East Ayrshire Local Development Plan 2. Key stakeholders including Celebrate Kilmarnock; and Centrestage will be involved throughout the design process.

Dean Castle Restoration Project

The Dean Castle restoration project, which opened to the public on 1 April 2023, is the final phase of the wider Dean Castle Country Park, 'Parks for People' project that commenced in 2016, redesigning the park in line with a detailed Conservation Management Plan and improving facilities in the Visitor Centre, Rural Life Centre, enhancing the green path network together with habitat and landscape environments.

The Parks for People and Castle restoration projects have created a 5 star visitor attraction, helping to maximise the opportunities for visitors to participate in, appreciate and value their local heritage.

In this final phase the Castle and former laundry buildings have been fully restored both externally and internally using strict conservation principles with associated learning and apprentice opportunities. The restoration has also provided a more extensive and accessible display of East Ayrshire Leisure's historic artefacts and allows an increase in visitor numbers.

£11.500m has been invested in Dean Castle Park funded from a range of sources including the Heritage Lottery Fund, Historic Environment Scotland, Renewable Energy, SRDP and East Ayrshire Council.

SHIP – Bellevue Gardens

During 2022/23 the Council continued its strategic programme of quality new build housing for families within East Ayrshire, with the £2.846m development of 18 homes at Bellevue Gardens in Kilmarnock which was successfully handed-over in April 2023.

The homes, which were built by the Council's Developer CCG (Scotland) Ltd, have been designed for general and community care needs and achieve net zero carbon emissions. Net zero is achieved through a combination of enhanced building fabric including thicker insulation and triple-glazed windows to reduce heat loss, roof mounted solar panels, heating provided by air source heat pumps and an advanced ventilation system to promote clear air-flow.

The project was East Ayrshire's first net zero affordable housing project and aligns with the Council's Climate Change Strategy, which has committed to move away from installing gas-heating systems. The reduced energy demand and running costs of these homes will assist in tackling fuel poverty.

The project was developed with £1.288m of grant funding from the Scottish Government and will contribute to their target of delivering 110,000 affordable homes by 2032.

Treasury Management and Investment

The Exchequer and Capital Finance team manage the Council's cash flow, banking, money market and capital market transactions along with the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. Our Treasury Management Strategy Statement was approved by Council on 24 February 2022.

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

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

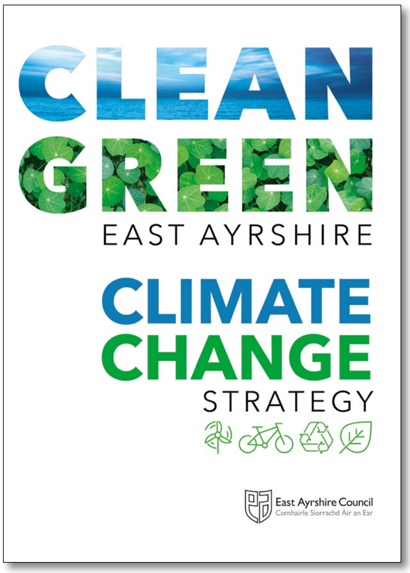
The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, ensuring adequate liquidity prior to consideration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

Investment activity during the year included gross transactions totalling £4.148 billion, with 604 individual transactions with an average value of £6.868m. During the year new long term borrowing of £50m was taken from the Public Works Loan Board at an average interest rate of 3.96%, in addition to new short term borrowing of £25m at an interest rate of 4.46%. Overall new borrowing in the year was at an average interest rate of 4.12%. This treasury activity provided financing for capital activity whilst also ensuring adequate short term financing in respect of day-to-day transactional activity.

Group Entities

The Council has an interest in a Common Good Fund, East Ayrshire Leisure Trust, East Ayrshire Integration Joint Board, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee and the Ayrshire Valuation Joint Board. As such, Group Statements require to be produced to show the financial position of the group as a collective, compared to the Council's individual financial position. The Deficit on the Provision of Services for the group for 2022/23 is £73.690m (EAC £65.917m) with Net Assets of £458.999m (EAC £510.014m). Further details on the group can be found in the Notes to the Group Entities.

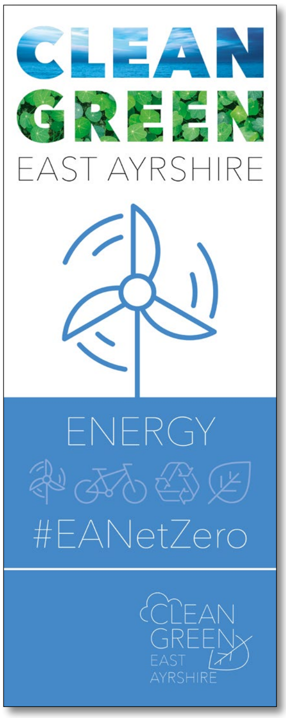
CLIMATE CHANGE STRATEGY AND ACTION PLAN



East Ayrshire Council approved our first Climate Change Strategy and associated Action Plan on 24 June 2021 (Details of the Council report and the published Strategy can be accessed **here**). In agreeing our Strategy , Council also agreed to join the UK100 and endorse their Net Zero Local Leadership Pledge, which aims to reduce our own carbon emissions to Net Zero by 2030; and to work with our residents and businesses to bring our wider communities' emissions in line with Net Zero as soon as possible.

The Climate Change Strategy sets out the ambition and direction of travel for the Council over the next 10 years to support local, national and international action on climate change and promote behaviour changes that we can all make to reduce our carbon footprint. Structured around the four key themes of Energy, Transport, Waste and Natural Environment, our Strategy recognises the challenges and potential benefits of moving away from fossil fuels in terms of economic and wellbeing opportunities and sets out a range of actions which seek to ensure a just transition as we move towards net zero. These are reflected in our vision for a clean green East Ayrshire which is set out below:

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



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

A further report to Cabinet on 23 November 2022 entitled "Update on Climate Change Actions and Submission of the Climate Change Public Sector Report for 2021/22" set out the progress made by the Council in responding to the climate emergency. It also provided an update on the implementation of the climate change actions outlined in the Council's Climate Change Strategy and the subsequent actions agreed in our Climate Change Action Plan.

Community Renewable Energy Project

CoRE - The Community Renewable Energy (CoRE) Project sees the Council working closely with the private sector and our partners at the University of Strathclyde. Centred around the Cumnock area, this initiative will place East Ayrshire at the very centre of innovation and development of the new approaches and technologies that are needed locally to make the move to net zero, while also supporting the wider climate change aspirations for Scotland and the UK. Comprising a programme of Demonstrator Projects, CoRE has funding of £17m from the UK Government, together with £7.5m allocated by East Ayrshire Council as part of the Ayrshire Growth Deal. The projects will combine academic and commercial expertise, local resources and new and emerging technologies to move the area into a low carbon future. CoRE will include a Centre of Excellence in Cumnock and various developments linked to energy research and generation at different locations around the local area, including former mining sites.

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

Food Waste

Disposal of residential and commercial waste now accounts for the greatest proportion of East Ayrshire's Carbon footprint (49%). We also know, that despite the council offering a weekly food waste recycling collection that around 40% of the domestic waste sent to landfill is food waste. To address this, we have continued with our food waste campaign, which is intended to educate and encourage the required behaviour change within individual households. Now in its second phase, this campaign has targeted householders that fail to present their food caddy and will be supported by investment in Community Waste Officers to engage with our communities and promote recycling, with a distinct focus on food waste.

Active Travel

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

Children and Young People

Children and young people have been at the forefront of responding to the climate emergency here in East Ayrshire and were instrumental in developing our Climate Change Strategy. This year, we saw their ambition turned into action as we launched our Clean Green Schools Awards, with a call to action that asked all of our schools to develop their own Climate Change Action Plans. 18 of our schools received bronze recognition at our first Awards ceremony in June 2022. A number of schools also received special recognition awards and Onthank Primary, received Silver accreditation in recognition of the way in which they had reached out and engaged with their local community to implement climate related actions. Our third Youth Climate Change Conference was held on 13 September 2022 and provided an opportunity for pupils from the schools who had received special recognition to share their stories with their peers; to spread best practice and ideas which would inspire others to act.

METRICS AND TARGETS AND REPORTING

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

The Council is committed to reducing our own carbon emissions to Net Zero by 2030; and aim to bring our wider communities' emissions in line with Net Zero as soon as possible. As our latest performance report highlights, in terms of Council operations, in 2021/22 our emissions totalled 32,692tCO_2e. This represents a reduction of 1140CO_2e (3%) from the previous reporting year. This was primarily due to a real term reduction of 3.4% in our consumption of gas, which reflects the shift from gas to green heating sources, such as heat pumps in many of our new buildings. Our emissions from transport continue to fall as we electrify our fleet of cars and small vans, whilst our emissions from waste again rose due to increased levels of household waste and changes in the methodology, conversion factors and weighting applied to waste, which increased our carbon consumption from waste by around 1,300 tCO_2e.

OVERSIGHT AND GOVERNANCE

Corporate responsibility for climate change rests with the Head of Facilities and Property Management. To ensure strategic oversight and facilitate the delivery and co-ordination of our climate change response, as well as drive the pace and ambition of change at both a corporate and community level, a network of officers across the Council has also been established and these will be brought together into two Climate Change Officer Working Groups, one covering the themes of Energy and Transport, and the other covering the Waste and Natural Environment themes. These Groups will support and report to the Member Officer Working Group on Climate Change and report directly to Cabinet to ensure strategic oversight and governance of the Climate Change Action Plan.

RISK MANAGEMENT

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

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

RISKS AND UNCERTAINTIES

Our Executive Management Team regularly review the Corporate Risk Register which details the high level strategic risks, their importance and required action measures. There are currently 10 risks on the Register, with 6 of these classed as medium to low risk. The risks classified as high are as follows:

Risk and impact	Mitigation
Pandemic and associated lockdown measures. Direct and indirect health impact, societal impact and economic impact. For some groups, the social, economic and health harms caused by both the virus and associated lockdown measures, will be greater and could have a profound and long lasting impact, exacerbating already existing inequalities in our communities.	We have robust arrangements in place with community planning partners to ensure we are well equipped to respond to emergency situations. We work closely with colleagues locally, regionally and nationally through the Ayrshire Local Resilience Partnership and West of Scotland Regional Resilience Partnership. Emergency response arrangements are overseen by our Council Management Team, with regular updating and communications provided by the Chief Executive and Communications Team. As demonstrated during Covid-19 we rapidly transformed the way we worked to maintain essential services and to ensure support for our communities, building on a well-established network of contacts, skills, knowledge and expertise to help protect and support residents. We continue to monitor the impact, maintaining close oversight of the virus and the continuing longer term impacts it has had throughout 2022/23.
Economic Climate and Levels of Grant Funding. Significant challenges have arisen from the legacy of the Covid-19 pandemic which has had an unprecedented impact on UK Government borrowing levels and which will potentially lead to reduced funding allocations going forward.	Council on 23 February 2023 approved the 2023/24 revenue budget. The budget gap for 2023/24 was assessed to be £8m based on a range of assumptions and the 2023/24 Revenue Budget set out a range of expenditure reduction options representing up to 4.2% reduction across all service budgets. The report recognised the challenges services had identifying options to close the budget gap, the significant pressures that continue to exist within service budgets and the difficult decisions councils across Scotland will have to take to balance 2023/24 budgets. The financial outlook for the years from 2022/23 highlighted in our Medium Term Financial Strategy approved by Council on 27 October 2022 sees the Council's gap widen with a requirement to identify further efficiencies to balance the budget going forward. The Financial Strategy highlights an anticipated cumulative budget gap of £37m by 2027 based on a medium risk scenario and will require continued collaboration and planning to close the gap and achieve a balanced budget each financial year.

Risk and impact	Mitigation
UK withdrawal from the European Union. The potential loss of funding and impact on economic conditions including growth, borrowing costs, and the potential for further changes to local government funding all present significant financial risk to the Council and the local economy, including the number of public and private sector jobs. There are also potential risks in respect of the impact on supply of goods, services, and supply chains that are reliant on EU countries. We recognise that any impact is likely to be exacerbated by the concurrent continuing impact of Covid-19 and other civic emergencies, with consequent impacts on organisational capacity.	While the EU Exit Withdrawal Agreement has been reached, issues remain including the impact on EU funded projects and how specifically, the UK Prosperity Fund takes over the new and existing projects from December 2022. The impact has not yet materialised but the matter remains under constant and detailed scrutiny. The four Community Renewal Fund projects that had received total funding of £1.298m have now ended with the required final evaluation and assurance process completed on 31 January 2023 in accordance with UK Government guidance. In addition, the Levelling Up Fund bid for Cultural Kilmarnock, involving the refurbishment of the Palace Theatre and Grand Hall was successful in being awarded £20m. The funding allocation from the UK Shared Prosperity Fund (UKSPF) has been announced by the UK Government and shows that East Ayrshire Council will receive £6.1m as part of the wider Ayrshire region allocation of £17m.
Environmental Climate. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 received Royal Assent on 31 October 2019 and sets targets for reducing greenhouse gases and emissions. Climate change is having an impact on global weather patterns with unseasonal extreme events occurring regularly.	Our approach is monitored through the annual climate change declaration. We have a programme to convert our fleet to fully electric vehicles, reduce energy usage in our buildings, minimise waste, increase recycling and support jobs in the renewable energy sector and enhance our local environment and biodiversity. A Climate Change Action Plan was approved in June 2021, supported by a Member, Officer and Young People's Working Group to set the Council's ambition and focus. On 26 October 2022 Cabinet agreed that external consultancy support be procured to prepare a Local Heat and Energy Efficiency Strategy. Legislatively, we must have completed this by December 2023. In addition, the Council is currently working to progress an Ayrshire Energy Masterplan (AEM) which will help Ayrshire to deliver on net zero by providing the opportunity to plan for a robust net-zero energy infrastructure that will support Ayrshire's clean growth aspirations by helping to transform energy systems towards net zero.

More Information

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

www.east-ayrshire.gov.uk

Councillor Douglas Reid *Leader of the Council*	**Eddie Fraser** *Chief Executive*	**Joseph McLachlan** *Chief Financial Officer and Head of Finance and ICT*

EXPLANATORY AND ASSURANCE STATEMENTS

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved by the Governance & Scrutiny Committee at its meeting on 12 October 2023.

Councillor Douglas Reid
Leader of the Council

The Chief Financial Officer's Responsibilities

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

In preparing the Annual Accounts, the Chief Financial Officer and Head of Finance & ICT has:

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

The Chief Financial Officer and Head of Finance & ICT has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the local authority for the year ended 31 March 2023.

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

ANNUAL GOVERNANCE STATEMENT

Introduction

This Annual Governance Statement has been prepared against a backdrop of what are unprecedented challenges for our council and for those we serve, including the enduring impacts from the Covid-19 pandemic, the emerging challenges derived from the cost of living crisis and the war in Ukraine.

This Annual Governance Statement has also been informed by the CIPFA Guidance Bulletin 06 – 'Application of the Good Governance Framework'. This guidance concerns the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework).

It also takes into account the introduction of the CIPFA Financial Management Code 2019 during 2020/21. The FM Code provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively. We have assessed our compliance with the FM Code and are satisfied that our governance and related processes satisfy the principles of good financial management as outlined in the Code.

Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, which direct and control the Council's activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic priorities and outcomes set out in the 2015-2030 East Ayrshire Community Plan and the Council's new 2022-2027 Strategic Plan which was approved in June 2022.

The Governance Framework

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

The East Ayrshire Community Plan 2015-30 came into effect on 1 April 2015 and is the sovereign and overarching planning document for the East Ayrshire area. It provides the strategic policy framework for the delivery of public services by all of the Partners.

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

A review of the East Ayrshire Community Plan was completed in 2020/21 with the outcomes of the review presented and approved by the Council on 24 June 2021, including new three year thematic delivery plans and 2 new shared strategic priorities.

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

The Community Plan and associated documentation can be accessed **here**. The Community Planning Partnership Board is supported by robust governance arrangements and a formal joint engagement event between the Council and CPP Board was held on 22 September 2022 to consider the Local Outcome Improvement Plan, Annual Performance Report, and the Integrated Health and Social Care Partnership Annual Report.

Council on 24 February 2022 agreed to the development of a new Council Strategic Plan for the period 2022-27 as the successor to the 2017-22 Transformation Strategy. The Council Strategic Plan 2022-27, was approved by Council on 29 June 2022 and subsequently, on the 27 October 2022, Council approved the Strategic Plan 2022-27 - Action Plan and Key Indicators alongside the rest of the Council's new Strategic Framework that also includes a Medium Term Financial Strategy, Workforce Strategy and Digital Strategy.

The new Strategic Plan aligns with the Community Plan, builds on the Council's pandemic recovery and renewal work and ensures that going forward, transformation is embedded in the delivery of council services.

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

Policy and decision making is conducted through the Council's decision-making structure, which includes the Cabinet and the Governance and Scrutiny Committee. Cabinet has responsibility for discharging all of the Council's functions except those reserved to the Council and those matters specifically delegated to other statutory, quasi-judicial committees. The Governance and Scrutiny Committee is fully compliant with Audit Committee principles and full details of its responsibilities are available here. The Governance and Scrutiny Committee undertakes the core and wider functions of an audit committee, as identified in CIPFA's Position Statement (2022) and associated Audit Committees: Practical Guidance for Local Authorities & Police (2022) by providing an independent and high-level resource to support good governance and strong public financial management within the Council. This includes the satisfaction that the Council's assurance statements are an accurate reflection of the current position, the internal audit function is effective and supported by committee and that risk management arrangements are considered effective.

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

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

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

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

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

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

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

We have a Whistleblowing Policy and Codes of Conduct for employees and Elected Members, and high standards of behaviour are supported by employee contracts of employment and annual FACE reviews, which identify individual training and development requirements. An Elected Member Learning and Development Strategy is well established and Job Outlines for Elected Members, including Members of the Governance and Scrutiny and Police and Fire and Rescue Committee are in place. A training needs analysis is undertaken on an annual basis and individual Development Plans are subsequently agreed for all Elected Members. A detailed programme for Induction, Training and Development for new Elected Members following the Council elections in May 2022 is in place.

Service Improvement Plans for all Council Services are in place and progress updates relating to the Action Plans are presented to Cabinet. New three-year Service Improvement Plans (2021- 2024) were developed and approved by Cabinet on 25 August and 27 October 2021, and reflect the updated Community Plan, Local Outcome Improvement Plan, 2022-2027 Strategic Framework and COVID-19 Recovery and Renewal Plans. Cabinet considered mid-point updates to the Service Improvement Action Plans in March 2023.

The impact of the Covid-19 Pandemic, the effects of UK withdrawal from the EU, the Ukrainian Refugee and Asylum Seeker Crisis and Cost of Living Crisis has shaped the Council's Business Continuity arrangements that were strengthened in the course of 2022/23. The Civil Contingencies Act (2004) places a number of duties on the Council for the preparation and maintenance of plans to ensure the continuity of Council services during emergency situations. An ongoing review of our Business Continuity Plans continued during 2022/23, has strengthened our Resilience Framework and ensures that we continue to provide the required level of co-ordination and consistency.

The Council monitors performance using an Electronic Performance Management System (EPMS), which is populated with a wide range of performance indicators agreed following a comprehensive review of performance indicators across all Council services.

The Council has in place a strong and embedded process of self-assessment. Our comprehensive approach to self-evaluation is evidence based and comprises the Council-wide Strategic Self-Assessment of performance; its aim is to ensure that the Council continues to remain well placed to respond to and meet the requirements of Best Value. The Strategic Self-Assessment was undertaken in 2022/23 as part of the development of the Council's 2022-2027 Strategic Plan.

Statutory Roles

The Council's procedural documentation clearly details the decision making structure. This includes Scheme of Delegation; Standing Orders; Standing Orders relating to contracts; Contract Procurement Protocol; Financial Regulations; Local Government Access to Information Registers; Departmental Service Descriptions; Officer delegated responsibility; and the role of Elected Member portfolio holders.

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

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

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

The Chief Financial Officer and Head of Finance and ICT is the proper officer of the Council with statutory responsibility for the administration of its financial affairs for the purposes of Section 95 of the Local Government (Scotland) Act 1973 and is a member of the Executive Management Team. This reflects best practice identified by Audit Scotland and the CIPFA FM Code. The Council's Scheme of Delegation designates the Head of Children's Health, Care and Justice Services as Chief Social Work Officer in terms of the Social Work (Scotland) Act 1968 and requires the post holder to carry out the specified duties associated with this statutory role by ensuring the provision of effective, professional advice to Elected Members and officers in relation to the provision of social work services. As part of the Council response to the legislative changes brought about by the Public Bodies (Joint Working) (Scotland) Act 2014, the management of Social Work Services was transferred to the Integration Joint Board with effect from 1 April 2015.

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

Review of Effectiveness

During 2022/23, the Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both appropriate and effective in practice. Specifically, the Council's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is co-ordinated corporately and approved by the Executive Management Team, Heads of Service have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, Chief Officers are required to make an annual statement confirming that this is the case.

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

The Council's new external auditors (Audit Scotland) will begin reporting on Best Value from the current financial year, reporting firstly in their annual audit report in Autumn 2023 and annually thereafter. Audit Scotland will be undertaking a number of pieces of work as part of their 2022/23 audit of the Council in relation to Best Value, including:

- **A review of performance management (including Statutory Performance Indicators (SPIs) and LGBF data), and**
- **Best Value thematic work covering the theme "Leadership of the development of new local strategic priorities". This includes examining how effectively council priorities reflect the need to reduce inequalities and climate change.**

The Internal Audit function within East Ayrshire Council is directly responsible to the Chief Executive for the independent appraisal of the Council's systems of internal control, governance and risk management. During 2022/23 the Internal Audit section operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced on 1 April 2013. External Audit subject the work of Internal Audit to annual review. Deloitte LLP, in their last report as the Council's external auditors reflected that review in their annual report with no issues arising to date. In their most recent report to the Governance & Scrutiny Committee in September 2022, external audit confirmed the independence and competence of the internal audit team. They had reviewed the work and findings of internal audit concluding that the Council had a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error ensuring adherence to the key principles of the CIPFA Code of Practice on Managing the Risk of Fraud. Those arrangements for fraud and error include the operation of a shared Corporate Fraud Team with North Ayrshire Council with outcomes reported to the Governance & Scrutiny Committee twice in year. The conclusions helped inform Deloitte's audit work, with no specific reliance placed on the work of internal audit in line with external audit established practice. From Deloitte's review of the internal audit reports issued during 2021/22, they were satisfied that the conclusions had been considered as part of the disclosures in the Annual Governance Statement.

PSIAS standard 1300 Quality Assurance and Improvement Programme (QAIP) requires the Chief Auditor to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The details of the PSIAS requirements and how East Ayrshire Council complies with these requirements is set out in paragraphs 78-83 of the Internal Audit Charter available on the Council's website. During 2022/23, and in line with PSIAS requirements, an External Quality Assessment (EQA) of the internal audit team was carried out by CIPFA concluding that the team "generally conforms" with PSIAS standards with no areas of non-conformance.

Internal Audit's overall opinion, based on the work carried out, and in line with PSIAS requirements, is that reasonable assurance can continue to be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control in the year to 31 March 2023. This is consistent with the Chief Auditor's opinion in previous years.

The Chief Auditor noted some impact of service pressures with regard to completion of some follow-up exercises; that overall a significant number of assignments had resulted in an opinion of sound assurance or sound assurance in most areas which is a reassuring outcome; and the continuing positive engagement by services and senior management in working collaboratively to agree and implement actions with a culture of scrutiny and continuous improvement embedded in East Ayrshire Council.

The system of governance (including the system of internal control) provides reasonable assurance that assets are safeguarded; that transactions are authorised and properly recorded; that material errors or irregularities are either prevented or would be detected within a timely period; and that significant risks impacting on the achievement of our strategic priorities and outcomes have been mitigated. The review carried out of the local code of corporate governance in 2022/23 highlighted areas that could continue to be further strengthened including:

- **Community Planning – undertake the 3 Yearly review;**
- **Climate Change Strategy – continue implementation and self-assessment;**
- **Corporate Risk Management – strengthen corporate risk management arrangements.**

Details of progress on previously identified areas for improvement in the Corporate Governance Improvement Action Plan 2022/23 as well as all areas highlighted for continued development within the Corporate Governance Improvement Action Plan 2023/24 are available **here**.

Conclusion

We consider the governance and internal control environment operating during 2022/23, despite the continuing and challenging set of circumstances arising from the pandemic and the cost of living crisis, provide reasonable and objective assurance that significant risks impacting on the achievement of our principal strategic priorities and outcomes will be identified and actions taken to avoid or mitigate their impact. A number of improvements are proposed to further strengthen our governance arrangements and these are set out in the Improvement Action Plan 2023/24. Progress on implementing the Action Plan will be reported to the Governance and Scrutiny Committee in 2024 in accordance with our established arrangements.

The governance framework has been in place for the full of the year ended 31 March 2023 and continues to be in place up to the date of the approval of these Accounts. 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. The Council is not aware of any weaknesses within the internal control systems of the entities incorporated in the Group Accounts and has placed reliance on individual Statements of Internal Financial Control where appropriate.

Councillor Douglas Reid
Leader of the Council

Eddie Fraser
Chief Executive

PRINCIPAL FINANCIAL STATEMENTS FOR THE COUNCIL AND ITS GROUP

Expenditure and Funding Analysis

The EFA shows how our funding from government grants, rents, council tax and business rates has been allocated for decision making purposes and used in providing services, alongside the resources we consumed in accordance with and applying generally accepted accounting practices. The CIES on page 36 presents more fully the income and expenditure under generally accepted accounting practices.

2021/22				2022/23		
EAC				EAC		
Net Expenditure chargeable to the General Fund & HRA Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES		Net Expenditure chargeable to the General Fund & HRA Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES
£m	£m	£m		£m	£m	£m
			Operating		*see EFA Note*	
108.132	23.438	131.570	Education	120.235	26.837	147.072
7.884	2.553	10.437	Finance and ICT	7.944	2.682	10.626
2.661	0.405	3.066	People and Culture	3.177	0.672	3.849
4.806	1.422	6.228	Governance	5.434	1.461	6.895
0.813	0.206	1.019	Corporate Support	0.823	0.169	0.992
16.662	3.076	19.738	Housing and Communities	18.393	4.851	23.244
6.400	12.311	18.711	Ayrshire Roads Alliance	6.809	11.082	17.891
7.692	0.062	7.754	Transport (incl SPT)	7.666	0.098	7.764
28.913	(6.358)	22.555	Facilities and Property Management	30.909	(6.521)	24.388
3.519	4.154	7.673	Economic Growth	4.014	2.247	6.261
4.948	1.186	6.134	Arms Length Organisations	5.629	0.919	6.548
0.750	0.101	0.851	Communities and Economy Other Segments	0.604	0.134	0.738
(4.206)	12.094	7.888	Social Work: Provision of Services	(4.142)	10.774	6.632
88.550	-	88.550	Contribution to the IJB	100.682	-	100.682
0.572	0.081	0.653	Chief Executive Office (incl Internal Audit)	0.637	0.097	0.734
14.437	(0.737)	13.700	Central Services	5.475	(1.602)	3.873
0.645	-	0.645	Projects	(0.225)	-	(0.225)
(2.256)	4.535	2.279	Housing Revenue Account	(3.003)	15.883	12.880
290.922	58.529	349.451	**Net Cost Of Services**	311.061	69.783	380.844
(295.950)	(13.839)	(309.789)	Other Income and Expenditure	(307.581)	(7.346)	(314.927)
(5.028)	**44.690**	**39.662**	**Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or (Deficit) in the CIES**	**3.480**	**62.437**	**65.917**

		General Fund	HRA	Total
74.232	Opening Combined General Fund and HRA Balances	57.016	20.805	77.821
5.028	Surplus or (Deficit) on the General Fund and HRA Balances for the Year	(6.483)	3.003	(3.480)
(1.439)	Transfers (to) / from Other Reserves	(1.401)	-	(1.401)
77.821	**Closing Combined General Fund and HRA Balances**	**49.132**	**23.808**	**72.940**

Note to the EFA

2021/22 EAC					2022/23 EAC			
Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis	**Adjustments between Funding and Accounting Basis**	Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis
£m	**£m**	**£m**	**£m**		**£m**	**£m**	**£m**	**£m**
15.514	8.428	(0.504)	23.438	Education	19.165	7.245	0.427	26.837
1.123	1.437	(0.007)	2.553	Finance and ICT	1.210	1.464	0.008	2.682
-	0.405	-	0.405	People and Culture	(0.014)	0.672	0.014	0.672
0.062	1.372	(0.012)	1.422	Governance	0.076	1.385	-	1.461
-	0.206	-	0.206	Corporate Support	-	0.169	-	0.169
0.289	2.816	(0.029)	3.076	Housing and Communities	2.447	2.361	0.043	4.851
10.500	1.838	(0.027)	12.311	Ayrshire Roads Alliance	9.698	1.357	0.027	11.082
(0.101)	0.163	-	0.062	Transport (incl SPT)	(0.094)	0.192	-	0.098
(9.480)	3.124	(0.002)	(6.358)	Facilities and Property Management	(9.443)	2.921	0.001	(6.521)
3.430	0.740	(0.016)	4.154	Economic Growth	1.668	0.562	0.017	2.247
1.186	-	-	1.186	Arms Length Organisations	0.919	-	-	0.919
-	0.107	(0.006)	0.101	Communities and Economy Other Segments	-	0.134	-	0.134
0.601	11.652	(0.159)	12.094	Social Work: Provision of Services	0.630	9.948	0.196	10.774
-	-	-	-	Contribution to the IJB	-	-	-	-
-	0.081	-	0.081	Chief Executive Office (incl Internal Audit)	-	0.097	-	0.097
-	(1.497)	0.760	(0.737)	Central Services	-	(2.293)	0.691	(1.602)
-	-	-	-	Projects	-	-	-	-
1.330	4.017	(0.812)	4.535	Housing Revenue Account	13.296	3.218	(0.631)	15.883
24.454	34.889	(0.814)	58.529	**Net Cost Of Services**	39.558	29.432	0.793	69.783
(17.390)	4.003	(0.452)	(13.839)	Other Income and Expenditure	(9.055)	2.159	(0.450)	(7.346)
7.064	**38.892**	**(1.266)**	**44.690**	**Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or (Deficit) in the CIES**	**30.503**	**31.591**	**0.343**	**62.437**

Movement in Reserves Statement

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

2022/23	Note	Usable Reserves				Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Fund		Unrealised Gains/ Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 April 2022		57.016	20.805	3.237	17.942	99.000	267.987	8.890	375.877	10.664	40.879	427.420
Surplus/ (Deficit) on the Provision of Services	CIES	(51.247)	(14.670)	-	-	(65.917)	-	-	(65.917)	(7.773)	-	(73.690)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	29.516	119.523	149.039	-	7.245	156.284
Total Comprehensive Income and Expenditure		(51.247)	(14.670)	-	-	(65.917)	29.516	119.523	83.122	(7.773)	7.245	82.594
Adjustments between Accounting Basis and Funding Basis Under Statute												
Current and Past Service Pension Costs in Cost of Services	8	51.022	5.658	-	-	56.680	-	(56.680)	-	-	-	-
Net Interest on Net Defined Pension Liability	8	1.943	0.216	-	-	2.159	-	(2.159)	-	-	-	-
Employers Contributions to Pensions Fund	8	(24.808)	(2.440)	-	-	(27.248)	-	27.248	-	-	-	-
Adjustments Relating to Pensions		28.157	3.434	-	-	31.591	-	(31.591)	-	-	-	-
Depreciation of Non-Current Assets	12	25.792	12.652	-	-	38.444	(6.191)	(32.253)	-	0.458	(0.458)	-
Impairment of Non-Current Assets	11	11.610	12.567	-	-	24.177	-	(24.177)	-	-	-	-
Amortisation of Intangible Assets	14	0.221	-	-	-	0.221	-	(0.221)	-	-	-	-
Capital Grants and Contributions Applied	5	(9.011)	(3.129)	-	-	(12.140)	-	12.140	-	-	-	-
Capital Grants and Contributions Unapplied		-	-	-	-	-	-	-	-	-	-	-
Repayment of Debt	10	(12.045)	(3.950)	-	-	(15.995)	-	15.995	-	-	-	-
Capital Expenditure Funded in Year	10	(0.143)	(3.284)	-	-	(3.427)	-	3.427	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure	10	-	-	-	(1.609)	(1.609)	-	1.609	-	-	-	-
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.227)	(0.550)	-	1.972	1.195	-	(1.195)	-	-	-	-
Adjustments Relating to Capital		16.197	14.306	-	0.363	30.866	(6.191)	(24.675)	-	0.458	(0.458)	-
Differences relating to Officer Remuneration required by statute		0.735	0.061	-	-	0.796	-	(0.796)	-	-	-	-
Differences relating to Financial Instruments required by statute	22	(0.325)	(0.128)	-	-	(0.453)	-	0.453	-	-	-	-
Adjustments for Other Items		0.410	(0.067)	-	-	0.343	-	(0.343)	-	-	-	-
Net Increase/ (Decrease) before Transfers		(6.483)	3.003	-	0.363	(3.117)	23.325	62.914	83.122	(7.315)	6.787	82.594
Transfers to/ (from) Capital Fund		(0.706)	-	-	0.706	-	-	-	-	-	-	-
Transfers to/ (from) Other Statutory Reserves		(0.400)	-	0.400	-	-	-	-	-	6.556	(6.556)	-
Interest on Revenue Balances		(0.295)	-	0.045	0.250	-	-	-	-	-	-	-
Increase/ (Decrease) in 2022/23		(7.884)	3.003	0.445	1.319	(3.117)	23.325	62.914	83.122	(0.759)	0.231	82.594
Balance as at 31 March 2023		49.132	23.808	3.682	19.261	95.883	291.312	71.804	458.999	9.905	41.110	510.014

* There were no Capital Grants Unapplied within the year.

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

2021/22						2022/23			
EAC			Group			EAC			Group
£m Exp	£m Income	£m Net	£m Net	Operating		£m Exp	£m Income	£m Net	£m Net
155.983	(24.413)	131.570	131.570	Education		171.040	(23.968)	147.072	147.072
11.461	(1.024)	10.437	10.437	Finance and ICT		11.830	(1.204)	10.626	10.626
3.157	(0.091)	3.066	3.066	People and Culture		4.250	(0.401)	3.849	3.849
8.643	(2.415)	6.228	6.228	Governance		9.460	(2.565)	6.895	6.895
1.024	(0.005)	1.019	1.019	Corporate Support		1.000	(0.008)	0.992	0.992
27.114	(7.376)	19.738	19.738	Housing and Communities		30.468	(7.224)	23.244	23.244
30.656	(11.945)	18.711	18.711	Ayrshire Roads Alliance		30.391	(12.500)	17.891	17.891
8.171	(0.417)	7.754	7.754	Transport (incl SPT)		8.254	(0.490)	7.764	7.764
33.170	(10.615)	22.555	22.555	Facilities and Property Management		36.076	(11.688)	24.388	24.388
13.498	(5.825)	7.673	7.673	Economic Growth		9.112	(2.851)	6.261	6.261
6.315	(0.181)	6.134	6.134	Arms Length Organisations		6.637	(0.089)	6.548	6.548
0.921	(0.070)	0.851	1.176	Communities and Economy Other Segments		0.818	(0.080)	0.738	1.196
146.511	(138.623)	7.888	7.888	Social Work: Provision of Services		146.585	(139.953)	6.632	6.632
88.550	-	88.550	88.550	Contribution to the IJB		100.682	-	100.682	100.682
0.657	(0.004)	0.653	0.653	Chief Executive Office (incl Internal Audit)		0.738	(0.004)	0.734	0.734
40.563	(26.863)	13.700	13.700	Central Services		31.376	(27.503)	3.873	3.873
4.662	(4.017)	0.645	0.645	Projects		1.772	(1.997)	(0.225)	(0.225)
48.582	(46.303)	2.279	2.279	Housing Revenue Account		59.560	(46.680)	12.880	12.880
629.638	**(280.187)**	**349.451**	**349.776**	**Net Cost Of Services**		**660.049**	**(279.205)**	**380.844**	**381.302**
		(1.065)	(1.065)	(Gains)/Losses on Disposals of Assets				(0.777)	(0.777)
		348.386	348.711	**Net Operating Expenditure**				380.067	380.525
		(53.365)	(53.365)	Income from Council Tax				(55.488)	(55.488)
		(243.356)	(243.356)	Government Grants (not service specific)				(247.474)	(247.474)
		(17.550)	(17.550)	Distribution from NDR Pool				(23.226)	(23.226)
		(19.981)	(19.981)	Capital Grants & Contributions	*Note 5*			(12.140)	(12.140)
		(334.252)	(334.252)	**Taxation & Non Specific Grant Income**				(338.328)	(338.328)
		14.134	**14.459**	**Net Operating Costs**				**41.739**	**42.197**
				Financing and Investment Income and Expenditure					
		4.003	4.003	Net Interest on Net Defined Pension Liability	*Note 8*			2.159	2.159
		-	(9.258)	Share of Surplus on Provision of Services of Associates & Joint Ventures				-	7.320
		(0.286)	(0.287)	Interest and Investment Income	*Note 22*			(1.645)	(1.650)
		21.811	21.811	Interest Payable and Similar Charges				23.664	23.664
		39.662	**30.728**	**Deficit on the Provision of Services**				**65.917**	**73.690**
		(25.366)	(25.760)	(Surplus)/ Deficit on Revaluation of Non-Current Assets				(29.516)	(38.103)
		(156.589)	(156.589)	Remeasurement of the Net Defined Pension Benefit Liability (Asset)	*Note 8*			(119.523)	(119.523)
		-	(4.882)	Share of Other Comprehensive (Income)/ Expenditure of Associates & Joint Ventures				-	1.342
		(142.293)	**(156.503)**	**Total Comprehensive (Income)/Expenditure**				**(83.122)**	**(82.594)**

Balance Sheet

This is a snapshot at 31 March 2023 of the value of assets and liabilities we hold, matched by our reserves shown as Usable (those we can use to provide services subject to the need to maintain a prudent level and any statutory limitations on their use) and Unusable (those we cannot use to provide services).

31 March 2022				31 March 2023	
EAC	Group			EAC	Group
£m	£m			£m	£m
903.875	909.168	Property, Plant & Equipment	*Note 12*	969.232	982.654
41.543	41.543	Heritage Assets	*Note 16*	14.429	14.429
0.221	0.221	Intangible Assets	*Note 14*	-	-
-	45.865	Investments in Associates and Joint Ventures	*Note 32*	-	37.203
0.393	0.393	Non-Current Receivables (Long Term Investments)	*Note 22*	0.389	0.389
-	-	Pension Assets	*Note 8*	22.612	22.612
946.032	**997.190**	**Non-Current Assets**		**1,006.662**	**1,057.287**
0.029	0.414	Short Term Investments	*Note 22*	0.021	0.411
1.480	1.480	Inventories	*Note 17*	1.836	1.836
49.181	49.181	Debtors	*Note 18*	33.891	33.891
0.025	0.025	Assets Held for Sale	*Note 15*	0.025	0.025
32.072	32.072	Cash and Cash Equivalents	*Note 19*	33.472	33.472
82.787	**83.172**	**Current Assets**		**69.245**	**69.635**
(50.087)	(50.087)	Short Term Borrowing		(43.145)	(43.145)
(78.298)	(78.298)	Creditors (Including Grants Receipts in Advance)	*Note 18*	(77.265)	(77.265)
(12.512)	(12.512)	Provisions	*Note 20*	(11.603)	(11.603)
(140.897)	**(140.897)**	**Current Liabilities**		**(132.013)**	**(132.013)**
(65.320)	(65.320)	Pension Liabilities	*Note 8*	-	-
(85.815)	(85.815)	Other Long Term Liabilities	*Note 22*	(82.049)	(82.049)
(360.910)	(360.910)	Long Term Borrowing	*Note 22*	(402.846)	(402.846)
-	-	Liabilities in Associates and Joint Ventures	*Note 32*	-	-
(512.045)	**(512.045)**	**Non-Current Liabilities**		**(484.895)**	**(484.895)**
375.877	**427.420**	**Net Assets**		**458.999**	**510.014**
99.000	99.000	Usable Reserves (Available to Fund Services)	*MiRS*	95.883	95.883
-	10.664	Share of Usable Reserves of Associates and Joint Ventures		-	10.189
8.890	8.890	Unusable Statutory Adjustments Accounts	*Note 25*	71.804	71.804
267.987	267.987	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	*Note 25*	291.312	291.312
-	40.879	Share of Unusable Reserves of Associates and Joint Ventures		-	40.826
375.877	**427.420**	**Net Reserves**		**458.999**	**510.014**

Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 29 June 2023 and the audited accounts were authorised for issue on 12 October 2023.

Joseph McLachlan CPFA

Chief Financial Officer and Head of Finance & ICT

Cash Flow Statement

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

2021/22				2022/23	
EAC	Group			EAC	Group
£m	£m			£m	£m
39.662	**30.728**	**Deficit on the Provision of Services**		65.917	73.690
-	9.258	Deficit attributable to Associates and Joint Ventures		-	(7.320)
39.662	**39.986**	**(Surplus)/ Deficit on the Provision of Services**		**65.917**	**66.370**
		Non Cash Items in the Comprehensive Income and Expenditure Statement			
(48.142)	(48.467)	Depreciation and Impairment		(62.842)	(63.300)
(1.909)	(1.909)	Carrying Amount of Non-Current Assets Sold	*Note 12*	(1.195)	(1.195)
(38.892)	(38.892)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme	*Note 8*	(31.591)	(31.591)
0.022	0.022	EIR Stepped Loan Adjustment		0.023	0.023
(88.921)	**(89.246)**			**(95.605)**	**(96.063)**
		Changes in Working Capital			
(0.269)	(0.269)	Increase/ (Decrease) in Stock and Work in Progress	*Note 17*	0.356	0.356
10.095	10.095	Increase/ (Decrease) in Debtors		(15.772)	(15.772)
0.453	0.453	Increase/ (Decrease) in Bad Debt Provision		0.469	0.469
(14.996)	(14.996)	(Increase)/ Decrease in Creditors		1.140	1.140
(4.717)	**(4.717)**			**(13.807)**	**(13.807)**
		Adjustments for Items which are included in the net surplus or deficit on the provision of services that are investing or financing activities			
(0.004)	(0.004)	Net Increase / (Decrease) in Short Term Deposits		0.012	0.012
19.981	19.981	Capital Grants Received		12.140	12.140
2.974	2.974	Sale of Non-Current Assets		1.972	1.972
22.951	**22.951**			**14.124**	**14.124**
(31.025)	**(31.026)**	**Net Cash Outflow/ (Inflow) from Operating Activities**		**(29.371)**	**(29.376)**
		Investing Activities			
56.721	56.721	**Cash Outflows:** Purchase of Non-Current Assets	*Note 10*	72.544	72.544
0.004	0.005	Increase in Short Term Deposits		-	0.005
56.725	**56.726**			**72.544**	**72.549**
(2.974)	(2.974)	**Cash Inflows:** Sale of Non-Current Assets		(1.972)	(1.972)
-	-	Decrease in Short Term Deposits		(0.012)	(0.012)
(19.981)	(19.981)	Capital Grants Received	*Note 5*	(12.140)	(12.140)
(22.955)	**(22.955)**			**(14.124)**	**(14.124)**
33.770	**33.771**	**Net Cash Outflow/ (Inflow) from Investing Activities**		**58.420**	**58.425**
		Financing			
-	-	**Cash Outflows:** Repayments of Amounts Borrowed		-	-
3.288	3.288	Capital Element of Finance Lease Rental Payments		3.159	3.159
(5.764)	(5.764)	**Cash Inflows:** New Loans Raised		(33.608)	(33.608)
(2.476)	**(2.476)**	**Net Cash Outflow/ (Inflow) from Financing Activities**		**(30.449)**	**(30.449)**
0.269	**0.269**	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**(1.400)**	**(1.400)**
32.341	**32.341**	**Cash and Cash Equivalents at the start of the reporting period**	*Note 19*	**32.072**	**32.072**
32.072	**32.072**	**Cash and Cash Equivalents at the end of the reporting period**	*Note 19*	**33.472**	**33.472**

Note to Cash Flow Statement – Included in Operating Activities is Interest paid in year of £23.274m; (2021/22 £21.440m) and Interest received in year £1.645m; (2021/22, £0.286m).

NOTES TO THE SINGLE ENTITY ANNUAL ACCOUNTS

Notes to the Accounts

Note 1 – Expenditure and Income Analysed by Nature

Our expenditure and income is analysed as follows for 2022/23.

2021/22 £m	Expenditure and Income Analysed by Nature	2022/23 £m
	Expenditure	
276.018	Employee Benefit Expenses	289.804
309.481	Other Service Expenses	309.562
48.142	Depreciation, Amortisation and Impairment	62.842
21.811	Interest Payable and Similar Charges	23.664
(1.065)	(Gain)/ Losses on Disposals of Assets	(0.777)
654.387	**Total Expenditure**	**685.095**
	Income	
(280.187)	Fees, Charges and Other Service Income	(279.205)
(0.286)	Interest and Investment Income	(1.645)
(70.915)	Income from Council Tax and Non Domestic Rates	(78.714)
(263.337)	Government Grants and Contributions	(259.614)
(614.725)	**Total Income**	**(619.178)**
39.662	**Deficit on the Provision of Services**	**65.917**

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

Note 2 – External Audit Costs

Fees payable to Audit Scotland for services carried out under the Code of Practice in 2022/23 were £0.320m (2021/22 £0.298m). This was based on the 2022/23 fee of £0.335m, less a rebate of £0.015m.

Note 3 – Agency Services

We bill and collect domestic water and sewerage charges on behalf of Scottish Water along with our own council tax. During the year we collected £20.057m (2021/22 £18.282m) and paid over £19.631m (2021/22 £17.856m). We received £0.426m for providing this service (2021/22 £0.426m). We also act as agent on behalf of the Scottish Government collecting non-domestic rates. During 2022/23 we billed £27.810m (2021/22 £21.518m) on their behalf and we received £23.226m (2021/22 £17.550m) in Distributable income from the Non-Domestic Rates pool.

As part of the Scottish Government's response to the Cost of Living targeted financial support was routed through councils and paid to individuals under an agency arrangement where the Scottish Government set out the specific parameters of the payments to be made, including the eligibility criteria, through detailed guidance provided to councils. Payments for the year totalled £7.000m. Scottish Child Bridging Payments totalling £2.030m were also paid to families under an emergency agency arrangement.

Note 4 – Material Items of Income and Expenditure

In 2022/23 we received additional grant funding of £7.000m from the Scottish Government in relation to Cost of Living payments.

During the year the IJB utilised £3.633m of its Covid-19 specific reserves to support related expenditure. The remaining balance of £7.727m was returned to the Scottish Government to be redistributed to NHS boards.

As at the 31st March 2023 the Council's actuaries, Hymans Robertson, advised that the Council's net pension position in relation to its share of the Strathclyde Pension Fund had changed from a net liability of £65.320m to a net asset of £294.509m. As a result of IAS19 provisions, the Council has applied an asset ceiling of £22.612m, reducing the net asset position by £271.897m. More detail on the implications of this can be found at Note 8.

Note 5 – Grant Income

The following grants were credited to the CIES in 2022/23.

2021/22 £m	Credited to Taxation and Non-Specific Grant Income	2022/23 £m
243.356	Revenue Support Grant	247.474
17.550	Non-Domestic Rates	23.226
7.767	General Capital Grant	7.702
6.503	Council House Building Programme	3.129
5.711	Other Capital Grants	1.309
280.887	**Total**	**282.840**

£m	Credited to Services/ IJB	£m
26.730	DWP Housing Benefits	24.167
35.012	NHS Resource Transfer	21.256
8.010	Scottish Attainment Challenge	6.931
3.161	William McIlvanney Campus	3.163
2.581	Criminal Justice Grant	2.646
13.045	Scottish Government - Early Learning & Childcare	13.124
0.531	Coal Restoration	-
1.966	Home Energy Efficiency Programmes Scotland (HEEPS) Grants	1.339
0.931	Private Sector Housing Grant	0.809
0.519	DWP Benefits Administration Grants	0.537
0.369	Education Maintenance Allowance	0.332
2.142	Dean Castle Restoration	2.060
0.172	Syrian Resettlement Programme	0.037
-	Ukraninian Resettlement Programme	0.755
0.496	European Social Fund Grants	1.077
-	Scottish Government - 2022/23 Pay Award	2.818
0.219	Skills Development Scotland Skillseeker Grant	0.136
4.780	Town Centre Regeneration	1.311
0.375	Levelling Up and Community Renewal	-
1.309	Various Minor Social Work Grants	1.009
1.938	Various Minor Chief Executive's Services Grants	1.999
1.860	Various Minor Communities and Economy Grants	2.365
0.391	Covid-19 Service Grants	0.612
106.537	**Total**	**88.483**

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

Schools PPP Project: We entered into a PPP contract for the provision of school buildings, maintenance and other facilities for two primary schools and two combined educational campuses providing primary, secondary and special educational facilities during 2007/08 and 2008/09. The contractor is required to ensure the availability of the buildings to a pre-agreed standard. The schools became operational during 2007/08 and 2008/09 and the assets and liabilities have been recognised in the Balance Sheet. At the end of the contract period (30 years from start date of each project) the buildings and any plant and equipment installed in them will transfer to us for no cost.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2022/23	5.155	2.374	4.378	11.907
Payable within 2 to 5 years	24.533	9.322	16.330	50.185
Payable within 6 to 10 years	32.752	15.088	21.138	68.978
Payable within 11 to 15 years	30.859	21.483	22.442	74.784
Payable within 16 to 20 years	1.569	0.974	0.874	3.417
Total	**94.868**	**49.241**	**65.162**	**209.271**

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

2021/22		2022/23
£m		£m
52.925	**Balance outstanding at start of year**	**51.016**
(1.909)	Payments during the year	(1.775)
51.016	**Balance outstanding at year-end**	**49.241**

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

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2023/24	0.675	1.392	1.978	4.045
Payable within 2 to 5 years	3.397	5.936	7.149	16.482
Payable within 6 to 10 years	6.539	7.896	6.904	21.339
Payable within 11 to 15 years	8.772	9.275	4.210	22.257
Payable within 16 to 20 years	9.673	12.075	1.535	23.283
Total	**29.056**	**36.574**	**21.776**	**87.406**

2021/22		2022/23
£m		£m
39.338	**Balance outstanding at start of year**	**37.958**
(1.380)	Payments during the year	(1.384)
37.958	**Balance outstanding at year-end**	**36.574**

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

Note 7 – Operating Leases

Council as Lessee: We have a number of assets under operating leases including properties, vehicles and plant and IT hardware. The expenditure charged to the Net Cost of Services in the CIES during the year in relation to these leases was £0.474m (£0.490m in 2021/22).

Council as Lessor: We lease out properties under operating leases for the provision of community services such as sports facilities and community facilities or for economic development purposes to provide suitable affordable accommodation for local businesses. The income credited to the Net Cost of Services in the CIES during the year in relation to these leases was £1.075m (£1.137m in 2021/22).

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

31 March 2022			31 March 2023	
Council as Lessee	Council as Lessor		Council as Lessee	Council as Lessor
£m	£m		£m	£m
0.427	1.086	Not later than 1 year	0.351	1.048
0.304	3.327	Later than 1 year and not later than 5 years	0.378	3.283
0.056	8.073	Later than 5 years	0.056	7.486
0.787	**12.486**	**Total**	**0.785**	**11.817**

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

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

Participation in Pension Schemes

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

Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which appoints a number of external investment managers/partners and monitors their investment performance. The principal risks are the longevity assumptions, statutory scheme changes, structural changes (i.e. large-scale withdrawals), changes to inflation, bond yields and the performance of the investments held. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account the amounts required by statute as described in Note 27(F).

Transactions Relating to Post Employment Benefits

We recognise retirement benefits costs when earned rather than when paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year.

2021/22	Local Government Pension Scheme	2022/23
£m	***Comprehensive Income and Expenditure Statement (CIES)***	£m
	Cost of Services:	
58.215	Current service costs	56.206
1.579	Past service costs (including curtailments)	0.474
	Financing and Investing Income and Expenditure:	
4.003	Net Interest Expense	2.159
63.797	Total Post Employment Benefit Charged to Surplus or Deficit on Provision of Services	58.839
	Other Post Employment Benefit Charged to the CIES:	
	Re-measurement of the net defined benefit liability comprising:	
(60.891)	*Return on pension fund assets*	49.438
(7.986)	Actuarial (gains) arising on changes in demographic assumptions	(9.293)
(89.916)	Actuarial (gains) or losses arising on changes in financial assumptions	(492.142)
2.204	Actuarial losses arising from other experience	60.577
(92.792)		(332.581)
-	Effect of Asset Ceiling Limitation	271.897
(92.792)	Total Post Employment Benefit Charged to the CIES	(60.684)
	Movement in Reserves Statement (MiRS)	
(38.892)	Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post employment benefits in line with the Code	(31.591)
24.905	**Employers' contributions payable to Strathclyde Pension Fund**	**27.248**

2021/22		2022/23
£m		£m
(1,220.350)	Present Value of The Defined Benefit Obligation	(847.893)
1,155.030	Fair Value of Pension Fund Assets	1,142.402
(65.320)	**Net Asset arising from Defined Benefit Obligation (Actuarial Valuation)**	294.509
-	Effect of Asset Ceiling Limitation	(271.897)
(65.320)	**Net Asset arising from Defined Benefit Obligation (Accounting Valuation)**	22.612
(20.601)	Unfunded liabilities for Pension Fund	(17.184)
(23.203)	Teachers unfunded pensions	(19.122)
(5.467)	Unfunded liabilities prior to 1996 local government reorganisation	(4.618)

2021/22	Reconciliation of Present Value of Scheme Liabilities	2022/23
£m		£m
(1,251.904)	**Opening balance at 1 April**	**(1,220.350)**
(58.215)	Current Service Cost	(56.206)
(25.419)	Interest Cost	(33.419)
(6.698)	Contributions from scheme Participants	(7.173)
	Re-measurement gains and (losses)	
7.986	Actuarial gains from changes in demographic assumptions	9.293
89.916	Actuarial gains or (losses) from changes in financial assumptions	492.142
(2.204)	Actuarial gains or (losses) from other experience	(60.577)
(1.579)	Past service cost	(0.474)
27.767	Benefits Paid	28.871
(1,220.350)	**Closing Actuarial Balance at 31 March**	**(847.893)**
-	Effect of Asset Ceiling Limitation	(271.897)
(1,220.350)	**Closing Accounting Balance at 31 March**	**(1,119.790)**

2021/22	Reconciliation of Movements in Fair Value Scheme Assets	2022/23
£m		£m
1,068.887	**Opening Fair Value of Pension Fund Assets**	**1,155.030**
21.416	Interest Income	31.260
-	Re-measurement gains and (losses)	-
60.891	Return on pension fund assets	(49.438)
24.905	Contributions from employers	27.248
6.698	Contributions from employees into the scheme	7.173
(27.767)	Benefits Paid (including settlements)	(28.871)
1,155.030	**Closing Balance at 31 March**	**1,142.402**

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

Asset Category	2022/23				2021/22			
	Prices quoted in Active Markets	Prices not quoted in Active Markets	Total	%	Prices quoted in Active Markets	Prices not quoted in Active Markets	Total	%
	£m	£m	£m		£m	£m	£m	
Equity Securities	223.083	2.048	225.131	20%	253.952	0.550	254.502	22%
Private Equity	-	280.789	280.789	25%	-	226.113	226.113	20%
Real Estate	-	94.190	94.190	8%	-	97.408	97.408	8%
Investment Funds and Unit Trusts	4.921	515.730	520.651	45%	6.408	541.209	547.617	47%
Derivatives	-	(0.001)	(0.001)	0%	-	-	-	0%
Cash & Cash Equivalents	15.800	5.842	21.642	2%	29.000	0.390	29.390	3%
Closing balance at 31 March	**243.804**	**898.598**	**1,142.402**	**100%**	**289.360**	**865.670**	**1,155.030**	**100%**

Basis for Estimating Assets and Liabilities
Liabilities have been assessed based on the latest full valuation of the scheme as at 31 March 2023.

Local Government Pension Scheme		**2022/23**	**2021/22**
Mortality assumptions (years):			
Longevity at 65 for current pensioners:	Men	19.3	19.6
	Women	22.2	22.4
Longevity at 65 for future pensioners:	Men	20.5	21.0
	Women	24.2	24.5
Rate of inflation (RPI)		3.20%	3.65%
Rate of inflation (CPI)		2.95%	3.20%
Rate of increase in salaries		3.65%	3.90%
Rate of increase in pensions		2.95%	3.20%
Rate for discounting scheme liabilities		4.75%	2.70%
Take-up of option to convert annual pension into retirement lump sum		50.0%	50.0%

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

Change in Assumptions at 31 March 2023

	Approximate % increase in Employer Liability	**Approximate monetary amount £m**
0.1% decrease in Real Discount Rate	2%	£16,032
1 Year increase in Member Life Expectancy	4%	£33,916
0.1% increase in the Salary Increase Rate	0%	£2,038
0.1% increase in the Pension Increase Rate	2%	£14,219

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

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

Impact on the Authority's Cash Flow
The Fund's objective is to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across participating Local Authorities. Employers' contributions were set at 19.3% for 2022/23. The triennial valuation took place at 31 March 2020. The Fund will need to take account of national changes to the Scheme such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals. The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2024 is £23.179m. The assumed weighted average duration of the defined benefit obligation is 20 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

Defined Benefit Pension Asset – Recognition and Measurement
Hymans Robertson, who are the actuaries to the Strathclyde Pension Scheme, of which East Ayrshire Council is a member, has valued the East Ayrshire Council pension fund at 31 March 2023 at a surplus meaning that we hold a pension asset rather than a liability.

This rare occurrence is largely a result of changes in the actuary's financial assumptions including the impact of increased corporate bond / government gilt rates and increased interest and inflation rates when compared to the previous valuation in 2021/22.

Paragraph 64 of International Accounting Standard 19 (IAS 19), provides the necessary information when an entity has a pension reserve surplus in a defined benefit plan and this information is supported further by the International Financial Reporting Interpretations Committee - Interpretation 14 (IFRIC 14).

IFRIC 14 requires the Council to consider whether the economic benefit that arises from the pension asset is available as a refund or as a reduction in future scheme contributions and it is considered that a reduction in future scheme contributions applies which entitles the Council to measure the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling. The asset ceiling is the present value of future benefits available to the Council in the form of refunds from the plan or reductions in future contributions to the plan.

Paragraphs 16 – 22 of IFRIC 14 relates to the amount of economic benefit available as a contribution reduction and it is this section of the Interpretation that requires to be given consideration as to whether the Defined Benefit Scheme has a minimum funding requirement. The triennial valuation of the Strathclyde Pension Fund is currently in progress and is anticipated to be published in October 2023 and it will be at this point when clarity around whether a minimum funding requirement exists will be known. Therefore, any material change arising as a result of the triennial valuation that occurs between the Balance Sheet date (31 March 2023) and the date of the conclusion of the audit of the Council's 2022/23 Audited Accounts (expected to be October 2023) will be incorporated into the Audited Accounts.

In advance of the publication of the triennial valuation and, in accordance with the requirements of IAS19 and IFRIC 14, the Council has recognised the pension asset given that it has arisen following actuarial gains and because future economic benefits are available to the Council in the form of a reduction on future contributions.

Establishing the Pension Asset Ceiling
In measuring the actual gain the Council is required to quantify the value of the gain calculated using both (a) and (b) above. In 2021/22 the Council recognised a pension liability of £65.320m and in 2022/23 our independent actuary notes the following values as being:

(a) the surplus in the defined benefit plan as being £294.509m; and

(b) the asset ceiling as being £22.612m.

We have therefore applied (b), the asset ceiling in accordance with IAS 19. The effect of this is a reduction in the pension reserve, an increase in the pension scheme obligations, and a reduction in the amount chargeable to the CIES.

Paragraph 10 of IFRIC 14 notes that an entity shall disclose information about the key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of the pension asset. Accordingly this disclosure is contained in Note 31 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty.

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

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

Quantifying the impact of the judgement at this time is difficult as it depends on compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

Strathclyde Pension Fund's actuary has made an allowance for the estimated impact of the McCloud judgement within the 31 March 2023 funding valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). Further, an estimate allowance for McCloud has also been included within the service cost figures for 2022/23.

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

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

Strathclyde Pension Fund's actuary has included an allowance for full GMP indexation within the funding valuation position as at 31 March 2023 balance sheet date, assuming that the permanent solution will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards and the impact is included in our overall liability.

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

The Strathclyde Pension Fund actuary has made an allowance for the potential impact on East Ayrshire's valuation results as at 31 March 2023.

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

Teachers are members of the Scottish Teachers' Superannuation Scheme which provides specified benefits upon retirement. We make contributions based on a percentage of members' pensionable salaries and it is technically a defined benefit scheme. Unlike the Local Government Scheme, we are not required to apply IAS 19 disclosures in respect of the Teachers' Scheme as the liability rests ultimately with the Scottish Government and the costs recorded are thus the actual contributions made during the year. The Scheme is accounted for as a defined contribution scheme and contributions in 2022/23 amounted to £13.867m, employer pension rates were 23% (2021/22 £12.755m). In addition, contributions totaling £0.575m, 1.0% of pensionable pay, were made for discretionary payments (2021/22 £0.599m, 1.1% of pensionable pay). We are responsible for the costs of any additional benefits awarded upon early retirement. These are accounted for on a defined benefit basis.

Note 10 – Capital Expenditure and Capital Financing

Capital expenditure incurred in 2022/23 and the resources used to finance it are shown below. Also shown are the capital commitments at 31 March 2023.

2021/22 £m		2022/23 £m
569.089	**Opening Capital Financing Requirement**	**583.052**
	Capital Investment	
56.720	Property, Plant and Equipment	72.544
0.001	Intangible Assets	-
2.837	Revenue Expenditure Funded from Capital under Statute	5.818
	Sources of Finance	
(2.746)	Capital receipts	(1.609)
(22.817)	Government grants and other contributions	(17.958)
	Sums set aside from revenue:	
(3.986)	Direct revenue contributions	(3.427)
(3.288)	Repayment of PPP/Finance Lease Capital Debt	(3.159)
(12.758)	Loans Fund Principal	(12.836)
583.052	**Closing Capital Financing Requirement**	**622.425**
	Explanation of movements in year	
13.963	Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	39.373
13.963	**Increase/ (Decrease) in Capital Financing Requirement**	**39.373**

Capital Contract Commitments at 31 March - Property, Plant & Equipment	
	£m
Housing Investment Programme	11.879
Affordable Housing Projects	4.024
Schools & ELC	2.087
Other Projects	2.431
Total	**20.421**

Note 11 – Impairment Losses

An impairment loss of £24.177m was recognised in 2022/23 due to the revaluation of PPE and other changes in asset conditions, such as planned demolitions (2021/22 £10.579m). The assets have been reduced to their new value in use and relevant impairment losses charged to the CIES.

Note 12 – Property, Plant and Equipment (PPE)

This note details the movement in Property, Plant and Equipment (PPE) during 2022/23. The valuation bases, useful lives and depreciation methods used are disclosed within Note 27 - Accounting Policies, Section N.

Assets included on the balance sheet at fair value are formally revalued by the Council on a rolling basis over a 5 year period, 2022/23 categories were de-minimus, surplus and DRC assets. To ensure the carrying amount at the year-end is not materially different since the previous formal revaluation review of any assets not formally valued that year is undertaken by Royal Institute of Chartered Surveyors (RICS) colleagues to assess if any factors indicate that the current estimated value may be different to the carrying value per the Balance Sheet. The stock of Council dwellings was last formally valued at 31 March 2019. Having reviewed market conditions since then colleagues from RICS are of the view that estimated changes in value at the 31 March 2023 would meet the Council's definition of what 'differs materially' from carrying values for Land and Property per the accounting policy, Note 27 (N). As such, using external data from the UK Government Land Registry specifically tailored to residential property in East Ayrshire an indexation approach has been applied to estimate and account for the impact. On this basis Council dwellings have been revalued upwards by £42.981m. A formal revaluation of all Council dwellings will be undertaken next year as at 31 March 2024.

Infrastructure asset values have been disclosed in accordance with the Scottish Government's Finance Circular 9/2022 Statutory Override - Accounting for Infrastructure Assets. The council has applied both statutory overrides set out in the circular which are as follows:

- For accounting periods commencing from 1 April 2021 until 31 March 2024, a local authority is not required to report the gross carrying amount and accumulated depreciation for infrastructure assets.
- For the accounting periods from 1 April 2010 to 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be accounted for as a nil amount, and no subsequent adjustment can be made to the carrying amount of the asset with respect to that part.

2022/23	OPERATIONAL ASSETS			NON-OPERATIONAL ASSETS		2022/23	2022/23
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	**Total PPE**	PPP/ NPD Assets included in Total PPE
Cost or Valuation:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2022	**335.296**	**486.435**	**48.861**	**21.529**	**15.895**	**908.016**	**131.336**
Expenditure	11.888	15.851	4.921	0.684	27.201	**60.545**	-
Revaluations (Effective 31 March):							
To Revaluation Reserve	42.981	3.189	-	(0.168)	-	**46.002**	**5.909**
Impairment to Net Cost of Services	(12.582)	(11.059)	-	(0.536)	-	**(24.177)**	-
Disposals	(1.229)	(0.290)	(16.366)	(0.110)	-	**(17.995)**	-
Derecognition *	-	(3.005)	-			**(3.005)**	-
Other movements	15.920	10.533	-	-	(26.453)	-	-
At 31 March 2023	**392.274**	**501.654**	**37.416**	**21.399**	**16.643**	**969.386**	**137.245**
Depreciation and Impairment:							-
At 1 April 2022	**(33.209)**	**(1.707)**	**(38.780)**	**(0.088)**	-	**(73.784)**	-
Depreciation charge	(12.191)	(13.722)	(3.124)	(0.373)	-	**(29.410)**	**(2.856)**
Depreciation written out							
To Revaluation Reserve	-	13.504	-	0.129	-	**13.633**	**2.856**
Disposals	0.171	0.290	16.335	0.004	-	**16.800**	-
At 31 March 2023	**(45.229)**	**(1.635)**	**(25.569)**	**(0.328)**	-	**(72.761)**	-
Net Book Value at 31 March 2022	**302.087**	**484.728**	**10.081**	**21.441**	**15.895**	**834.232**	**131.336**
Net Book Value at 31 March 2023	**347.045**	**500.019**	**11.847**	**21.071**	**16.643**	**896.625**	**137.245**

2021/22	OPERATIONAL ASSETS			NON-OPERATIONAL ASSETS		2021/22	2021/22
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	**Total PPE**	PPP/ NPD Assets included in Total PPE
Cost or Valuation:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 April 2021	**326.780**	**470.786**	**49.194**	**19.013**	**9.565**	**875.338**	**127.606**
Expenditure	11.763	14.886	2.402	0.860	14.355	**44.266**	-
Revaluations (Effective 1 April):							
To Revaluation Reserve	-	4.070	-	(0.286)	-	**3.784**	**3.730**
To Net Cost of Services	(1.189)	(6.017)	-	(3.373)	-	**(10.579)**	-
Disposals	(2.058)	-	(2.735)	-	-	**(4.793)**	-
Other movements	-	2.710	-	5.315	(8.025)	-	-
At 31 March 2022	**335.296**	**486.435**	**48.861**	**21.529**	**15.895**	**908.016**	**131.336**
Depreciation and Impairment:							-
At 1 April 2021	**(21.656)**	**(10.247)**	**(38.459)**	**(0.069)**	-	**(70.431)**	**(2.651)**
Depreciation charge	(11.771)	(12.725)	(3.007)	(0.336)	-	**(27.839)**	**(2.651)**
Depreciation written out							
To Revaluation Reserve	-	21.265	-	0.317	-	**21.582**	**5.302**
Disposals	0.218	-	2.686	-	-	**2.904**	-
At 31 March 2022	**(33.209)**	**(1.707)**	**(38.780)**	**(0.088)**	-	**(73.784)**	-
Net Book Value at 31 March 2021	**305.124**	**460.539**	**10.735**	**18.944**	**9.565**	**804.907**	**124.955**
Net Book Value at 31 March 2022	**302.087**	**484.728**	**10.081**	**21.441**	**15.895**	**834.232**	**131.336**

* relates to an asset previously included in the Councils Asset Register, now accuratley included in the Common Good.

Infrastructure Assets

2021/22		2022/23
£m		**£m**
66.676	**Net Book Value at 1 April**	**69.642**
12.453	Expenditure	11.999
(9.487)	Depreciation	(9.034)
69.642	**Infrastructure Assets Closing Net Book Value**	**72.607**
834.232	Other PPE Assets (see table above)	896.925
903.874	**Total PPE Assets**	**969.532**

Note 13 – Fair Value Hierarchy

Surplus assets and held for sale assets are measured at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants. We use valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation technique in respect of assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, as follows:

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

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

Note 14 – Intangible Assets

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

	Carrying Amount		Remaining Amortisation Period
	31 March 2023	31 March 2022	
	£m	£m	
Gov Delivery Platform	-	0.023	None
Health & Social Care Management Information System	-	0.198	None
	-	**0.221**	

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

2021/22		2022/23
£m	**Balance at start of year:**	**£m**
1.454	Gross carrying amounts	1.455
(0.997)	Accumulated amortisation	(1.234)
0.457	**Net carrying amount at start of year**	**0.221**
0.001	Purchases	
(0.237)	Amortisation for the period	(0.221)
0.221	**Net carrying amount at end of year**	**-**
	Comprising:	
1.455	Gross carrying amounts	1.455
1.234	Accumulated amortisation	1.455

Note 15 – Assets Held for Sale

2021/22 £m	Current Assets	2022/23 £m
0.046	**Balance outstanding at start of year**	**0.025**
-	Assets declassified as held for sale	-
(0.021)	Assets sold	-
0.025	**Balance outstanding at year-end**	**0.025**

Note 16 – Heritage Assets

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

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

Main collections have been reported on the Balance Sheet at their insurance valuation, supported by independent valuations. Other minor items held of local historical significance are not recognised on the Balance Sheet, however, detailed information regarding them is held in the museums database. Information on the management of Heritage Assets including details of records maintained is included in the Collection Procedural Manual approved at Council on the 29 June 2022. Further information on the downward revaluation in 2022/23 is detailed in Note 29 – Events after the Balance Sheet Date.

2021/22 £m		2022/23 £m
41.543	**Cost or Valuation at 1 April**	**41.543**
-	Revaluations during the year	(27.114)
41.543	**Cost or Valuation at 31 March**	**14.429**
41.543	**Opening Net Book Value**	**41.543**
41.543	**Closing Net Book Value**	**14.429**

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

Note 17 – Inventories

2021/22 Consumable Stores £m	2021/22 Maintenance Materials £m	2021/22 Total £m		2022/23 Consumable Stores £m	2022/23 Maintenance Materials £m	2022/23 Total £m
0.771	0.979	1.750	Opening Balance	0.744	0.736	1.480
-	-	-	Transfers In	-	-	-
1.507	2.515	4.022	Purchases	2.507	3.129	5.636
(1.534)	(2.758)	(4.292)	Recognised as expense in the year	(2.295)	(2.985)	(5.280)
0.744	**0.736**	**1.480**	**Closing Balance**	**0.956**	**0.880**	**1.836**

Note 18 – Short Term Debtors and Creditors

31 March 2022 Debtors £m	31 March 2022 Creditors £m	Short Term Debtors and Creditors	31 March 2023 Debtors £m	31 March 2023 Creditors £m
12.481	(11.204)	Central Government bodies	13.505	(15.615)
3.433	(22.634)	Other Local Authorities	5.010	(20.972)
18.358	(0.121)	NHS bodies	6.025	(1.716)
-	(0.217)	Public Corporations and trading funds	-	(0.325)
14.909	(44.122)	Other entities and individuals	9.351	(38.637)
49.181	**(78.298)**	**Total**	**33.891**	**(77.265)**

Grants and contributions which have a condition attached that remains to be satisfied at the balance sheet date are recognised as grants receipts in advance. Included within the amounts above are grant receipts in advance totalling £6.134m (2021/22 £3.763m).

Note 19 – Cash and Cash Equivalents

31 March 2022 £m		31 March 2023 £m
0.040	Cash held by the Council	0.036
24.284	Callable deposits	3.455
(3.035)	Bank current accounts	(5.793)
10.783	Short term deposits	35.774
32.072	**Total Cash and Cash Equivalents**	**33.472**

Note 20 – Provisions

Provisions	Training & Employment £m	Severances £m	Legal Cases £m	Other £m	Total £m
Balance as at 1 April 2022	6.000	0.452	4.563	1.497	12.512
Additional Provisions made during the year	0.176	0.081	0.950		1.207
Costs Incurred against provision	-	(0.452)	(0.167)	(1.400)	(2.019)
Unused amounts reversed during the year	-	-	-	(0.097)	(0.097)
Balance as at 31 March 2023	**6.176**	**0.081**	**5.346**	**0**	**11.603**

In February 2022, the Council committed to a jobs and training programme. The programme enables training contracts to be issued to an estimated 200 individuals over the next 2-3 years as the Council meets it's expected obligations from Scottish Government provided funding to support economic recovery following the Covid-19 pandemic. The assessed liability at 31 March 2023 is £6.2m (2022/23 £6m).

At 31 March 2023 £0.081m (2021/22 £0.452m) was provided for the cost of severances within services where arrangements have been agreed by Cabinet and the payments will be made in the coming months.

The Council is involved in a number of ongoing Legal cases for which a level of financial provision has been made:

- Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay. Settlement continues in relation to claims although significant progress has been made;
- Discussions are ongoing with a developer regarding a historical ground lease income claim and proposed commercial deal resolution;
- Outstanding claims against the former Strathclyde Regional Council for which the Council has a share of any potential liability;
- Under the Limitation (Childhood Abuse)(Scotland) Act 2017 the Council currently has 4 live claims.

The information usually required by International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed in respect of individual legal case provisions on the grounds that it can be expected to prejudice the outcome of the proceedings.

Note 21 – Contingent Assets and Liabilities

We are a member of Business Loans Scotland (BLS) which is a consortium of Scottish Local Authorities providing and managing loans to small and medium enterprises (SMEs) across Scotland aiming to help businesses grow. East Ayrshire Council, having been the lead and host authority for the previous West of Scotland regional iteration of the organisation (West of Scotland Loans Fund) continue to do so for BLS. As part of this role, East Ayrshire Council formally underwrite the potential pension liabilities relating to staff working for BLS to meet requirements of the Strathclyde Pension Fund, however have a formal agreement with BLS that at all times they must retain sufficient funds to meet any pension liabilities directly themselves. The probability of any cash outflow from East Ayrshire is therefore deemed as being unlikely to occur.

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

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

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

The Council is in discussion with a contactor regarding claims for additional payment for works undertaken in relation to a flood prevention scheme. The likelihood and level of any cash outflow as a result of claims is not yet known with any certainty.

Note 22 – Financial Instruments

Financial Assets and Financial Liabilities

31 March 2022				31 March 2023		
Non Current	Current	Total	Amortised Cost	Non Current	Current	Total
£m	£m	£m		£m	£m	£m
0.393	0.029	**0.422**	Investments	0.389	0.021	**0.410**
-	84.288	**84.288**	Debtors	-	73.271	**73.271**
0.393	**84.317**	**84.710**	**Total Financial Assets**	**0.389**	**73.292**	**73.681**
(446.725)	(53.122)	**(499.847)**	Borrowings	(484.895)	(48.938)	**(533.833)**
-	(68.422)	**(68.422)**	Creditors	-	(66.604)	**(66.604)**
(446.725)	**(121.544)**	**(568.269)**	**Total Financial Liabilities**	**(484.895)**	**(115.542)**	**(600.437)**

Items of Income

2021/22			2022/23	
Surplus or Deficit on the Provision of Services £m	Other Comprehensive Income and Expenditure £m	Net gains/losses on:	Surplus or Deficit on the Provision of Services £m	Other Comprehensive Income and Expenditure £m
-	-	Financial assets measured at amortised cost	-	-
-	**-**	**Total net gains/losses**	**-**	**-**
		Interest revenue:		
(0.286)	-	Financial assets measured at amortised cost	(1.645)	-
(0.286)	**-**	**Total interest revenue**	**(1.645)**	**-**
-			-	-
21.460	**-**	**Interest expense**	**23.297**	**-**

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

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

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

The fair values are calculated as follows:

31 March 2022			31 March 2023	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
0.029	0.029	Short Term Investments	0.021	0.021
0.393	0.393	Long Term Investments	0.389	0.389
84.288	84.288	Short Term Debtors	73.271	73.271
84.710	**84.710**	**Financial Assets**	**73.681**	**73.681**
(302.327)	(395.590)	PWLB Debt	(356.799)	(349.899)
(105.511)	(154.339)	Non-PWLB Debt	(85.426)	(99.297)
(3.035)	(3.035)	Short Term Borrowing	(5.793)	(5.793)
(68.422)	(68.422)	Short Term Creditors	(66.719)	(66.719)
(3.159)	(3.159)	Short Term Finance Lease Liability	(3.766)	(3.766)
(85.815)	(102.840)	Other Long Term Liabilities	(82.049)	(82.725)
(568.269)	**(727.385)**	**Financial Liabilities**	**(600.552)**	**(608.199)**

The fair value of the liabilities is greater than the carrying amount as our portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders above current market rates.

However, we have the ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that will be paid as a result of PWLB commitments for fixed rate loans is to compare the terms of these loans with new borrowing rates available from PWLB. If a value is calculated on this basis, the carrying amount of £356.799m would be valued at £309.040m. If we were to realise the projected gain by repaying the PWLB loans, there would be a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £349.899m.

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

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

Our activities expose us to a variety of financial risks:

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

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

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

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

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

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

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

The annual Treasury Management Strategy incorporates the prudential indicators approved by Council on 24 February 2022, and is available on our website. The key areas within the strategy were:

- The Authorised Limit for 2022/23 was set at £777.436m, the maximum limit of external borrowings or other long term liabilities;
- The Operational Boundary was expected to be £758.474m. This is the expected level of debt and other long term liabilities during the year;
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on our net debt; and
- The maximum and minimum exposures to the maturity structure of debt.

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

Credit Risk Management Practices

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

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

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

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

The 2022/23 Annual Investment Strategy approved by Council on 24 February 2022 is available on our website. Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set.

Our maximum exposure to credit risk in relation to investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all deposits, but there was no evidence at the 31 March 2023 that this was likely to crystallise.

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

Credit Risk Exposure at 31 March 2023

Counterparty	Credit Rating Criteria met when investment placed	Credit Rating Criteria met on 31 March 2023	Balance Invested at 31 March 2023						
			Up to 1 Month	Between 1 and 3	Between 3 and 6	Between 6 and 9	Between 9 and 12	Over 12	Total
	YES/NO	YES/NO	£m	£m	£m	£m	£m	£m	£m
UK Banks	YES	YES	3.447	-	-	-	-	-	**3.447**
Debt Management Office	YES	YES	35.766	-	-	-	-	-	**35.766**
Other	YES	YES	0.003	-	0.002	-	0.002	0.386	**0.393**
Total			**39.216**	**-**	**0.002**	**-**	**0.002**	**0.386**	**39.606**

Liquidity Risk

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

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

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

31 March 2022		31 March 2023
£m		£m
0.029	Less than 1 year	0.021
0.006	Between 1 and 2 years	0.004
0.005	Between 2 and 3 years	0.002
0.382	More than 3 years	0.383
0.422		**0.410**

Refinancing and Maturity Risk

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

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

- Financial liabilities and amending the profile through new borrowing or the rescheduling of existing debt;

  and

- Investments to ensure sufficient liquidity is available for day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

	Approved Minimum Limits	Approved Maximum Limits	31 March 2023 £m	31 March 2023 %
Less than 1 year	0%	35%	48.938	9.17%
Between 1 and 2 years	0%	35%	18.477	3.46%
Between 2 and 5 years	0%	60%	41.924	7.85%
Between 5 and 10 years	0%	50%	71.386	13.37%
More than 10 years	0%	50% - 90%	353.108	66.15%
Total			**533.833**	**100.00%**

Trade Receivables

At 31 March 2023 potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £16.085m with a bad debt provision of £4.747m. The amount does not include debtors related to council tax, community charge, non-domestic rates and council house rents as these are not considered to be finance assets. Analysis of the Gross Debtor amount by age is:

31 March 2022 £m		31 March 2023 £m
22.362	Less than 3 months	11.051
0.060	Between 3 and 6 months	0.303
0.204	Between 6 months and 1 year	0.270
5.198	More than 1 year	4.461
27.824		**16.085**

Market Risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2023, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	0.349
Impact on (Surplus) or Deficit on the Provision of Services	**0.349**
Share of overall impact debited to the HRA	**0.153**
Decrease in fair value of fixed rate investment assets	0.003
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**54.836**

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

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

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

Note 24 – Related Parties

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

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

Chief Officers
All Chief Officers completed and signed a Related Party declaration for the year to 31 March 2023. Based on the completed returns there were no related party transactions in the year.

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

During 2021/22		As at 31 March 2022			During 2022/23		As at 31 March 2023	
Charges to	Charges from	Due from	Due to	Entity	Charges to	Charges from	Due from	Due to
£m	£m	£m	£m		£m	£m	£m	£m
0.734	5.423	0.009	0.140	East Ayrshire Leisure Trust	1.101	5.623	0.010	0.318
123.853	88.550	-	20.552	Integration Joint Board	112.834	100.682	-	10.356

Note 25 – Unusable Reserves

Unusable Reserves are those we cannot use to provide services. Explanations of each reserve and their purpose are outlined in the Glossary. The movement in reserves during 2022-23 is detailed below;

2021/22		Unusable Reserves		Unusable Statutory Adjustment Accounts				2022/23
Total Unusable Reserves		Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	**Total Unusable Reserves**
£m		£m	£m	£m	£m	£m	£m	£m
136.339	**Balance as at 1 April 2022**	**267.987**	**-**	**94.629**	**(65.320)**	**(10.666)**	**(9.753)**	**276.877**
181.955	Other Comprehensive Income and Expenditure	29.516	-	-	119.523	-	-	**149.039**
181.955	**Total Comprehensive Income and Expenditure**	**29.516**	**-**	**-**	**119.523**	**-**	**-**	**149.039**
	Adjustments between Accounting Basis and Funding Basis Under Statute							
(59.794)	Current and Past Service Pension Costs in Cost of Services	-	-	-	(56.680)	-	-	**(56.680)**
(4.003)	Net Interest on Net Defined Pension Liability	-	-	-	(2.159)	-	-	**(2.159)**
24.905	Employers Contributions to Pensions Fund	-	-	-	27.248	-	-	**27.248**
(38.892)	**Adjustments Relating to Pensions**	**-**	**-**	**-**	**(31.591)**	**-**	**-**	**(31.591)**
(37.326)	Depreciation of Non-Current Assets	(6.191)	-	(32.253)	-	-	-	**(38.444)**
(10.579)	Impairment of Non-Current Assets	-	-	(24.177)	-	-	-	**(24.177)**
(0.237)	Amortisation of Intangible Assets	-	-	(0.221)	-	-	-	**(0.221)**
23.482	Capital Grants & Contributions Applied	-	-	12.140	-	-	-	**12.140**
-	Capital Grants & Contributions Unapplied	-	-	-	-	-	-	**-**
16.046	Repayment of Debt	-	-	15.995	-	-	-	**15.995**
3.986	Capital Expenditure Funded in Year	-	-	3.427	-	-	-	**3.427**
2.746	Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	1.609	-	-	-	**1.609**
(1.909)	Net Gain/ Loss on Disposal of Non-Current Assets	-	-	(1.195)	-	-	-	**(1.195)**
(3.791)	**Adjustments Relating to Capital**	**(6.191)**	**-**	**(24.675)**	**-**	**-**	**-**	**(30.866)**
0.815	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(0.796)	**(0.796)**
0.451	Differences relating to Financial Instruments required by statute	-	-	-	-	0.453	-	**0.453**
1.266	**Adjustments for Other Items**	**-**	**-**	**-**	**-**	**0.453**	**(0.796)**	**(0.343)**
140.538	**Increase (decrease) before transfers**	**23.325**	**-**	**(24.675)**	**87.932**	**0.453**	**(0.796)**	**86.239**
276.877	**Balance as at 31 March 2023**	**291.312**	**-**	**69.954**	**22.612**	**(10.213)**	**(10.549)**	**363.116**

Note 26 – Ayrshire Roads Alliance

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

Local delivery budgets are used to meet local and consolidated road maintenance plans and the funding allocation from each council varies. Any surplus or deficit at the year end on local delivery is retained by the relevant council. At the end of 2022/23 the financial management results for the Alliance are as follows:

Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m	Council	Annual Estimate 2022/23 £m	Actual 2022/23 £m	Variance £m
7.366	6.400	(0.966)	East Ayrshire Council	7.133	6.809	(0.324)
5.983	5.292	(0.691)	South Ayrshire Council (SAC)	6.443	5.995	(0.448)
13.349	**11.692**	**(1.657)**	**Total**	**13.576**	**12.804**	**(0.772)**

Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m	Detail	Annual Estimate 2022/23 £m	Actual 2022/23 £m	Variance £m
9.298	8.343	(0.955)	Employee Costs	9.468	7.772	(1.696)
0.521	0.578	0.057	Premises Costs	0.698	0.727	0.029
1.681	1.640	(0.041)	Transport Costs	1.600	2.005	0.405
5.067	4.738	(0.329)	Supplies and Services	4.674	5.160	0.486
2.845	2.733	(0.112)	Third Party Payments	2.639	3.286	0.647
0.238	0.491	0.253	Debt Charges	0.417	0.494	0.077
19.650	**18.523**	**(1.127)**	**Total Expenditure**	**19.496**	**19.444**	**(0.052)**
(6.301)	(6.831)	(0.530)	Income	(5.920)	(6.640)	(0.720)
13.349	**11.692**	**(1.657)**	**Net Expenditure**	**13.576**	**12.804**	**(0.772)**

Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m	Amount Charged to SAC at Year End £m	Strategic Delivery	Annual Estimate 2022/23 £m	Actual 2022/23 £m	Variance £m	Amount Due (To)/From SAC at Year End £m
2.303	1.804	(0.499)	n/a	East Ayrshire Council	2.079	1.542	(0.537)	n/a
1.927	1.432	(0.495)	(0.495)	South Ayrshire Council	1.971	1.495	(0.476)	(0.476)
4.230	**3.236**	**(0.994)**	**(0.495)**	**Total**	**4.050**	**3.037**	**(1.013)**	**(0.476)**

Annual Estimate 2021/22 £m	Actual 2021/22 £m	Variance £m	Amount Charged to SAC at Year End £m	Local Delivery	Annual Estimate 2022/23 £m	Actual 2022/23 £m	Variance £m	Amount Due (To)/From SAC at Year End £m
5.063	4.596	(0.467)	n/a	East Ayrshire Council	5.054	5.266	0.212	n/a
4.056	3.860	(0.196)	(0.196)	South Ayrshire Council	4.472	4.501	0.029	0.029
9.119	**8.456**	**(0.663)**	**(0.196)**	**Total**	**9.526**	**9.767**	**0.241**	**0.029**

Note 27 – Accounting Policies

(A) General Principles
The Accounts summarise our transactions for the 2022/23 financial year and the position as at 31 March 2023. We are required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (The Code) supported by International Financial Reporting Standards (IFRS). These are designed to give a "true and fair view" of the financial performance of the Council and its Group.

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

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

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

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

(B) Accruals of Income and Expenditure
Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

(C) Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 3 months from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value. Cash and cash equivalents are shown net of bank overdrafts.

(D) Material Items and Prior Period Adjustments
Income and expenditure we consider material to understand our financial performance are disclosed in the CIES or in the notes.

(E) Charges to Revenue for Non-current Assets
Services are charged with the following to record the cost of holding non-current assets during the year:

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

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

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

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

Post-Employment Benefits: we participate in the Local Government Pension Scheme, administered by Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. Both provide defined benefits (retirement lump sums and pensions) earned as employee members.

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

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

The change in the net pension liability/(asset) is analysed into the following components, definitions of which are available in the Glossary of Terms:

- Service Cost comprising – Current Service Cost, Past Service Cost and Net Interest on the Net Defined Liability (Asset)
- Remeasurements comprising – Return on Plan Assets, Actuarial Gains and Losses and Contributions Paid to the Pension Fund.

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

Discretionary Benefits: we have restricted powers to make discretionary awards in the event of early retirements. Any liabilities estimated to arise as a result of an award to staff are accrued in the year of the decision to make the award and accounted for using the policies applied to Strathclyde Pension Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(L) Leases: are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property to the lessee; all others are classified as operating leases. Where a lease covers both land and buildings, the elements are separately classified.

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

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

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

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

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

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

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

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

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

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

Differs Materially: Where due to the 5 year rolling valuation programme a category of assets have not been formally revalued during the year a review is undertaken by Royal Institute of Chartered Surveyors (RICS) colleagues to assess that the carrying value of these assets does not differ materially from that held on the Balance Sheet. The materiality threshold has been determined to be 1.5% of the previous year value for Land & Building PPE which for 2022/23 is £12.362m. Where a material movement is indicated, this will be disclosed within the annual accounts and additional valuation work will be undertaken in conjunction with RICS colleagues to estimate the impact of this movement.

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

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

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

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

- **Council Dwellings** **20-25 years**
- **Operational Buildings** **20-60 years**
- **Community Assets** **20-25 years**
- **Vehicles and Equipment** **4-20 years**

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

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

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

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

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

When these criteria are met, assets within PPE will be reclassified to Assets Held for Sale. The date of reclassification will normally follow approval by Cabinet to sell the asset. If assets no longer meet the Assets Held for Sale criteria, they are reclassified as non-current assets and valued at the lower of their carrying amount before they were classified as Assets Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell. When disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is charged to the CIES as part of the disposal gain/loss. Disposal receipts are credited to the CIES as part of the gain/ loss on disposal i.e. netted-off against carrying value at the time of disposal and revaluation gains accumulated in the Revaluation Reserve are transferred to the General Fund.

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

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

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

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

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

When a component of the Network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The written-off amounts of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

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

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

Heritage Assets do not include:

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

The assets are held at valuation and no depreciation is charged on the assets. The valuation at 31 March is based upon information held in catalogues or inventories maintained by East Ayrshire Leisure Trust. Valuations are undertaken on an insurance basis with the main collections of fine art, arms and militaria, manuscripts, musical instruments and tapestries held at values determined by specialist external valuers. The remainder of the collection, while also insured, consists primarily of donated artefacts of local social history which are either not determined to be of material value or the cost of obtaining a minor value outweighs any benefit to the users of the Accounts. These assets are not recognised on the Balance Sheet, however, detailed information regarding them is held in the museums database.

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

The original recognition of the schools PPP assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Schools PPP assets are revalued and depreciated in the same way as other non-current assets we own. The amounts payable to the PPP operator each year are analysed into:

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

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

(R) Provisions: are made in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and charged as an expense in the CIES when we become aware of the obligation, measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of relevant risks and uncertainties. Payments made are charged to the provision. Estimated settlements are reviewed annually. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is credited back to the relevant service.

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

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

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

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

Unusable Reserves (unrealised and have a deferred impact on taxation): are retained to manage the accounting processes for non-current assets, financial instruments and retirement benefits and are not usable resources. These are as follows:

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

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

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

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

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

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

Note 28 – Accounting Standards Issued not yet Adopted

The Code requires the Council to disclose information about accounting changes that will be required by new accounting standards in the Code due to be adopted in future years and the possible impact. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- Amendments to IAS 1 Presentation of Financial Statements;
- Amendments to IAS 12 Income Taxes;
- Amendments to IFRS 3 Business Combinations.

None of the above have any impact on the 2022/23 Accounts. Implementation is effective from 1st April, therefore no impact on 2022/23 Accounts. Overall, these new or amended Standards are not expected to have a significant impact on the Annual Accounts.

IFRS16 implementation has been deferred to be effective from 1 April 2024 and included in the 2024/25 Code. Further details are contained in Note 7.

Note 29 – Events after the Balance Sheet Date

We are required to disclose material matters that arise between the Balance Sheet date 31 March 2023 and the date when the Accounts are authorised for issue which took place at the Council meeting on 29 June 2023. The Chief Financial Officer and Head of Finance & ICT, being the responsible officer for the Council's affairs, signed the audited Annual Accounts on 12 October 2023. Subsequent events taking place after this date are not reflected in the Annual Accounts or notes.

Where events taking place after this date provide information about conditions existing as at 31 March 2023, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of the information as detailed within this Note.

Heritage Assets are valued at the Balance Sheet date based on their insurance cover valuation. During the course of renewal negotiations in September 2023, as a result of changes in the insurance market, the Council was made aware that the previous level of coverage for unidentified or unvalued items would change significantly as a result of wider market risk outlook decisions made by the Insurer which impacts on the valuation of Heritage Assets held on the Balance Sheet. The valuation of Heritage Assets at 31 March 2023 has therefore been reviewed and the Balance Sheet restated at the revised coverage level for assets that have been identified and independently valued only. The impact of this is a reduction in the valuation for Heritage Assets from £40.543m to £14.429m.

During financial year 2023/24 a claim has been made by a contactor regarding additional payments and damages due in relation to flood prevention scheme work undertaken. The Council was unaware of the claim at the Balance Sheet date and the level of any potential cash outflow is not yet determinable with any certainty and an estimate of the financial impact cannot be ascertained. The claim has been treated as an unadjusting post balance sheet event and consequently only a disclosure adjustment has been made to the 2022/23 Annual Accounts.

Note 30 – Critical Judgements in Applying Accounting Policies

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

- There is significant uncertainty regarding the level of funding for local government in the medium to longer term. Our medium term future plan estimates a budget gap for the year to 2026/27 of £37m (to 2031/32 £81m) and while future funding levels remain uncertain our financial planning in the short to medium term will ensure action is taken to close the gap albeit recognising the extent of the estimation within our planning model. The Council has determined that any uncertainty over future funding does not provide any reasonable indication that service levels would be affected to such an extent that the use and value of its assets would be measurably affected.
- We have considered our exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in our opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 21.
- The Council has entered into two Public Private Partnerships (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC12 and concluded these are service concession arrangements. We are deemed to control the services provided under PPP and also to control the residual value of the schools at the end of the agreement. The accounting policies for PPP have been applied to these arrangements and the assets under the contracts (valued at net book value of £137.245m) are recognised as PPE on the Council's Balance Sheet. In terms of financial modelling, indices are used and any increase in these indices above that set in the funding model will require us to identify and allocate additional funding to the Scheme.

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

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

These Accounts contain estimated figures that are based on assumptions about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require us to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £5.987m for each year that useful lives were reduced by one year.
- Assets held at fair value are revalued on a five year rolling basis, as set out in the accounting policy at Note 27 (N). Additional valuations are carried out on an ad hoc basis outwith the rolling programme arrangements, for example, property deemed as surplus or where a need for impairment has been identified. Where a category of assets have not been formally revalued during the year a review is undertaken by Royal Institute of Chartered Surveyors (RICS) colleagues to assess that the carrying value of these assets does not differ materially from that held on the Balance Sheet. As indicated in Note 12 the application of this policy has resulted in a £42.981m revaluation of Council dwellings in 2022/23. A 1% variation of this estimation would result in a £4.3m movement in the value of housing stock.
- At 31 March 2023, the Council had an outstanding gross debtors balance of £16.085m. In line with the requirements of IFRS 9 around expected credit losses a detailed review of outstanding debtors was undertaken at 31 March 2023 and, with the exception of amounts owed to the Council by other public sector bodies, full provision has been made within services for outstanding debts in excess of 6 months. This equates to an allowance for doubtful debts of 29.5% (£4.747m). In terms of financial modelling a 1% increase in the allowance could lead to an additional cost of £0.047m. The 100% provision for sundry debts aged 6 months and over was undertaken as a result of Covid-19 and Cost of Living and the impact it has had on payments. This will continue to be reviewed.
- Estimation of the net asset on the Defined Benefits pension Scheme depends on a number of judgements relating to the corporate bond rate, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on assets. Strathclyde Pension Fund has engaged expert advice about the assumptions applied which resulted in a pension asset being recognised in 2022/23. The effects on the net pension asset of changes in assumptions can be measured. For instance, a 0.1% decrease in the discount rate would result in a decrease in the pension asset of 2% or £16.032m. During 2022/23, the Pension Fund's actuaries advised that our net pension position had moved from a net liability of £65.320m, to a net surplus of £294.509m – a movement of £359.829m.

  However, by applying IAS 19 and the asset ceiling provision contained therein, the Council has recognised a pension asset of £22.612m. This is on the basis that a minimum funding requirement exists in relation to the Strathclyde Pension Fund. Should determination be made that this is not the case following the conclusion of the triennial valuation, then the requirements of paragraphs 16 and 17 of IFRIC 14 will apply.
- Heritage assets are valued based on insurance valuation. The Council acknowledges that there is a risk of adjustment of those heritage assets subject to insurance valuation in 2023/24 as the valuation can change in light of prevailing conditions and insurance options.

NOTES TO THE GROUP ENTITIES

Note 32 – Summarised Financial Information of Group Entities

The Council has an interest in a Common Good Fund, East Ayrshire Leisure Trust and several Joint Boards. The accounting year end for these entities is 31 March 2023. Full details are disclosed below.

The Common Good Fund has been consolidated in to the Group Statements as a 100% fully controlled subsidiary of the Council. Full details of the Common Good Fund are included on page 84. The group entities have been consolidated as follows:

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

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

2021/22						2022/23				
	Balance Sheet extract						Balance Sheet extract			
Surplus/ (Deficit) on Operating Activities	Non-Current Assets	Current Assets	Non-Current Liabilities	Current Liabilities		Surplus/ (Deficit) on Operating Activities *	Non-Current Assets	Current Assets	Non-Current Liabilities	Current Liabilities
£m	£m	£m	£m	£m		£m	£m	£m	£m	£m
0.390	17.517	9.868	-	(1.060)	Strathclyde Partnership for Transport	0.139	17.209	9.658	-	(1.404)
0.066	-	0.298	-	(0.031)	Strathclyde Concessionary Travel Scheme Joint Committee	0.025	-	0.312	-	(0.020)
(0.159)	1.347	0.298	-	(0.045)	Ayrshire Valuation Joint Board	(0.157)	0.312	0.268	-	(0.053)
(0.300)	0.051	0.868	-	(0.331)	East Ayrshire Leisure Trust	(0.328)	0.128	1.190	-	(0.483)
9.261	-	17.085	-	-	Integrated Joint Board	(6.999)	-	10.086	-	-
9.258	**18.915**	**28.417**	**-**	**(1.467)**	**Total Associates**	**(7.320)**	**17.649**	**21.514**	**-**	**(1.960)**

*The net deficit of the Associates consists of gross expenditure of £157.170m and gross income of £149.850m.

Strathclyde Partnership for Transport
Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of twenty nine members representing the twelve constituent unitary authorities in the West of Scotland plus other interested parties. Of the twenty nine members, twenty are nominated from Councils and between seven and nine are public appointments. East Ayrshire Council has one Elected Member on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.43%. SPT Accounts can be obtained by contacting the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Committee (SCTS)
The Committee comprises the twelve Councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the Councils. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.82%. A copy of the Annual Accounts for SCTS can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

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

The Board maintains the electoral, council tax and non-domestic rates registers for East, North and South Ayrshire councils. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30%. A copy of the Annual Accounts for the Joint Board can be obtained from the Treasurer to the Ayrshire Valuation Joint Board, South Ayrshire Council, County Buildings, Wellington Square, Ayr KA7 1DR.

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

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

East Ayrshire Integration Joint Board (IJB)
The IJB is a statutory body established to integrate health and social care services between the Council and NHS Ayrshire and Arran and the contribution provided by the Council to the IJB in 2022/23 was £100.682m. The IJB Board comprises eight voting members with four made up of East Ayrshire councillors.

The IJB is consolidated as a joint venture and therefore the percentage share is 50%. A copy of the Annual Accounts for the East Ayrshire Integration Joint Board can be obtained from the Interim Chief Finance Officer, East Ayrshire Council, London Road, Kilmarnock, East Ayrshire, KA3 7BU.

Alignment of Accounting Policies
Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Annual Accounts are contained in Note 27. The Accounting Policies of the Council and its Group Entities noted above are fully aligned with the exception of the period over which non-current assets are depreciated.

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

Inventories

The Council, East Ayrshire Leisure Trust and SPT use the lower of cost or net realisable value to value inventories.None of the other bodies in the group hold inventories.

Ayrshire Growth Deal

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

During the year the all three councils made an equal contribution to the Project Management Office costs of £0.223m (£0.234m 2021/22).

SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

Housing Revenue Account (HRA)
Income and Expenditure Statement

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

2021/22 £m		2022/23 £m
	Income	
(45.685)	Dwelling Rents	(46.740)
(0.328)	Non Dwelling Rents	(0.491)
(1.091)	Any Other Income	(0.939)
0.801	Elimination Of Internal Recharges	1.490
(46.303)	**Total Income**	**(46.680)**
	Expenditure	
21.468	Repairs and Maintenance	21.211
12.278	Supervision and Management	12.412
13.470	Depreciation and Impairment of Non-Current Assets	25.219
0.523	Bad and Doubtful Debts	0.536
1.644	Any Other Expenditure	1.672
(0.801)	Elimination Of Internal Recharges	(1.490)
48.582	**Total Expenditure**	**59.560**
2.279	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**	**12.880**
0.633	**HRA Share of Corporate and Democratic Core**	**0.645**
0.126	**HRA Share of Non Distributed Costs**	**0.047**
3.038	**Net Cost of HRA Services**	**13.572**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(6.503)	Capital Grants and Contributions Receivable	(3.129)
(6.503)	**Income**	**(3.129)**
(0.907)	(Gain) or Losses on Disposals of Assets	(0.550)
(0.907)	**Expenditure**	**(0.550)**
(7.410)	**HRA Share of Other Operating Expenditure**	**(3.679)**
	Investment	
(2.295)	Expected Return on Pension Assets	(3.121)
(2.295)	**Income**	**(3.121)**
(2.295)	**HRA Share of Investment Income**	**(3.121)**
	Financing	
(0.063)	Interest and Investment Income	(0.465)
(0.063)	**Income**	**(0.465)**
2.724	Pension Interest Cost	3.336
4.448	Interest Payable and Similar Charges	5.027
7.172	**Expenditure**	**8.363**
7.109	**HRA Share of Net Finance Expenditure**	**7.898**
0.442	**(Surplus) /Deficit on the HRA**	**14.670**

Movement on the HRA and Notes

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

2021/22 £m		2022/23 £m
(18.549)	**Balance on the HRA brought forward**	**(20.805)**
0.442	Deficit on the HRA	14.670
(2.698)	Adjustments between accounting basis and funding basis under statute	(17.673)
(2.256)	**(Increase)on the HRA Balance for the Year**	**(3.003)**
(20.805)	**Balance on the HRA carried forward**	**(23.808)**

There were no transfers to or from reserves within the year or in the previous year. Further details of the adjustments between accounting basis and funding basis under statute for the HRA are included in the Movement in Reserves Statement on page 34 for 2022/23 and are shown as Adjustments relating to Pensions, Capital and Other Items.

Note 33 - Notes to the Housing Revenue Account

Housing Stock

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

31 March 2022		31 March 2023		
Total		**Flats**	**Houses**	**Total**
2,205	One Bedroom	1,428	779	**2,207**
6,091	Two Bedroom	2,924	3,156	**6,080**
3,451	Three Bedroom	535	2,941	**3,476**
270	Four Bedroom	14	256	**270**
5	Five Bedroom	2	3	**5**
1	Seven Bedroom	-	1	**1**
12,023	**Total**	**4,903**	**7,136**	**12,039**

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:

2021/22		2022/23
£75.34	Average Weekly Rent (52 weeks)	£76.54
£3.412m	Total Rent Arrears	£3.696m
£2.865m	Provision for Bad Debt	£3.064m

* 2021/22 Average weekly rent has been restated from £76.54 to £75.34.

We are required to disclose the loss on void properties and in 2022/23 this amounted to £1.529m. The comparator figure for 2021/22 was £1.731m.

Council Tax Income Account

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

2021/22 £m		2022/23 £m
73.170	**Gross Council Tax levied and contributions in lieu**	**76.063**
	Deduct:	
(9.651)	Council Tax Reduction	(9.879)
(8.372)	Other discounts and reductions	(8.854)
(2.093)	Provision for bad and doubtful debts	(2.177)
0.311	Adjustments to previous years Council Tax and Community Charge	0.335
53.365	**Net Council Tax Income Transferred to General Fund**	**55.488**

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 2022/23 was £1,416.61 (2021/22 £1,375.35). Properties can be exempt if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over.

BAND	2022/23 £ per year
A	944.41
B	1,101.81
C	1,259.21
D	1,416.21
E	1,861.27
F	2,301.99
G	2,774.19
H	3,740.69

Note 34 – Calculation of the Council Tax base

2021/22 Total	Bands	A(d)	A	B	C	D	E	F	G	H	2022/23 Total
58,821	Properties		25,723	9,335	5,600	7,003	6,631	3,611	1,020	50	**58,973**
(1,860)	Exemptions		(947)	(240)	(140)	(103)	(75)	(23)	(2)	(3)	**(1,533)**
-	Disabled Reliefs	77	(8)	(21)	7	35	(49)	(26)	(15)	0	**0**
(22,827)	Discounts (25%)	(29)	(13,182)	(3,871)	(2,219)	(2,031)	(1,430)	(502)	(106)	(5)	**(23,375)**
(989)	Discounts (50%)	0	(439)	(107)	(68)	(76)	(32)	(16)	(10)	(3)	**(751)**
50,760	**Total equivalent**	70	21,253	8,053	4,878	6,389	6,134	3,429	972	44	**51,222**
	Ratio	5/9	6/9	7/9	8/9	9/9	12/9	15/9	18/9	22/9	
46,344	**Band 'D' equivalent**	**39**	**14,169**	**6,263**	**4,337**	**6,389**	**8,059**	**5,572**	**1,904**	**108**	**46,840**
(7,321)	Council Tax Reduction	(14)	(4,354)	(1,149)	(625)	(377)	(260)	(104)	(33)	(1)	**(6,917)**
39,023	**Band 'D' equivalent after CTR**	**25**	**9,815**	**5,114**	**3,712**	**6,012**	**7,799**	**5,468**	**1,871**	**107**	**39,923**
(1,213)	Bad debt provision										**(1,515)**
37,810											**38,408**

Non-Domestic Rate Account

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

2021/22 £m		2022/23 £m
41.223	**Gross rates levied and contributions in lieu**	**41.948**
	Deduct:	
(17.410)	Reliefs and reductions	(12.349)
(0.709)	Provision for bad and doubtful debts	(0.882)
23.104	**Net Non-Domestic Rate Income**	**28.717**
(1.586)	Prior year pool	(0.907)
(3.968)	Contributions from National Non-Domestic Rate Pool	(4.584)
17.550	**Income credited to the Comprehensive Income and Expenditure Statement**	**23.226**

Note 35 – Analysis of Rateable Values

	Number	£m
Shops	1,100	21.773
Public Houses	92	2.152
Offices (including Banks)	666	7.394
Hotels, Boarding Houses, etc.	24	1.285
Industrial & Freight Transport Subjects	1,071	14.862
Leisure, Entertainment, Caravans and Holiday Sites	226	3.982
Garages and Petrol Stations	135	1.298
Cultural	26	0.893
Sporting Subjects	409	0.495
Education and Training	62	10.239
Public Service Subjects	213	5.960
Quarries, Mines, etc.	4	0.380
Petrochemical	1	0.133
Religious	93	0.870
Health Medical	69	4.123
Other	321	3.386
Care Facilities	53	2.406
Advertising	20	0.057
Undertaking	24	0.642
	4,609	**82.330**

Note 36 – Nature and Amount of NDR Rate Fixed

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Government. The National Non-Domestic Rate poundage set by the Scottish Government for 2022/23 was 49.8p, with supplements of 1.3p and 2.6p.

Remuneration Report

All information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland excluding the Trade Union Facility Time Statement. All other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

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

For 2022/23 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £39,148. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them at £29,361.

The Regulations also set out the remuneration that may be paid to Senior Councillors, other than the Leader of the Council and the Provost, and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council (i.e. 75% of £39,148 = £29,361). 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 £342,526. Subject to a maximum number of 14 Senior Councillors, the Council is able to exercise flexibility in the determination of the precise number of Senior Councillors and their salary within these limits.

In 2022/23 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 £330,459. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £397,895. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

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

Remuneration of Councillors

2021/22 £m		2022/23 £m
0.729	Salaries	0.757
0.009	Expenses	0.012
0.738	**Total**	**0.769**

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

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

Total Remuneration 2021/22 £	Name	Designation	Total Remuneration 2022/23 £
37,138	D Reid	Leader of the Council	39,086
27,461	J McMahon	Depute Leader (1 April to 5 May, and 19 May to 31 March)	28,100
27,078	J McGhee	Leader of the Labour Group (1 April to 5 May)	2,734
-	M McKay	Leader of the Labour Group (19 May to 31 March)	24,826
27,078	T Cook	Leader of the Conservative Group (1 April to 4 May) (Note 3)	2,654
-	J McFadzean	Leader of the Conservative Group (19 May to 31 March)	24,826
27,637	B Douglas	Provost (1 April to 5 May), Senior Councillor (19 May to 31 March)	27,638
6,416	Jim Todd	Provost (19 May to 31 March)	25,536
20,895	G Mair	Chair of Governance and Scrutiny Committee (1 April to 4 May) (Note 3)	2,654
-	L Jones	Chair of Governance and Scrutiny Committee (19 May to 31 March)	24,826
20,486	S Cogley	Depute Provost (1 April to 5 May)	2,681
26,930	C Leitch	Depute Provost (19 May to 31 March), Senior Councillor (1 April to 5 May)	27,074
27,078	C Maitland	Senior Councillor (1 April to 5 May, and 19 May to 31 March)	27,560
27,078	F Campbell	Senior Councillor (1 April to 4 May) (Note 3)	2,654
27,078	I Linton	Senior Councillor (1 April to 5 May, and 19 May to 31 March)	27,560
27,078	N McGhee	Senior Councillor (1 April to 4 May) (Note 3)	2,654
27,078	J Roberts	Senior Councillor (1 April to 4 May) (Note 3)	2,654
20,895	Jacqui Todd	Senior Councillor (1 April to 5 May)	2,874
-	G Barton	Senior Councillor (19 May to 31 March)	24,826
-	E Cowan	Senior Councillor (19 May to 31 March)	24,826
-	A Filson	Senior Councillor (19 May to 31 March)	24,826
-	N Ingram	Senior Councillor (19 May to 31 March)	24,826
6,237	G Jenkins	Senior Councillor (2021/22 part year only)	-
6,360	E Whitham	Depute Leader (2021/22 part year only)	-
5,018	J McFadzean	Chair of Ayrshire Valuation Joint Board (1 April to 5 May)	399
395,019			**398,294**

Note 1: The 2022/23 costs relate to salary, fees and allowances; there were no taxable expenses or non-cash benefits in kind.
Note 2: Details for 2021/22 at: https://www.east-ayrshire.gov.uk/Resources/PDF/A/Annual-Accounts-2021-22.pdf
Note 3: Did not stand for re-election in 2022.
Note 4: For 2022/23, within East Ayrshire Council, the maximum amount payable to councillors with a senior role is; Depute Leader - £29,104, Depute Provost £27,985, Senior Councillor £28,544.
Note 5: Between the local election on 5 May, and the approval of Senior Councillors by Council on 19 May, there were no senior roles in place, with the exception of the post of Leader of the Council.

Remuneration of Senior Employees of the Council

Total Remuneration 2021/22 £	Name	Designation	Total Remuneration 2022/23 £ (Note 1)
143,006	E Fraser	Chief Executive (Note 2)	146,549
120,553	K Kelly	Depute Chief Executive	125,765
122,200	C McArthur	Director of Health & Social Care (Note 3)	126,325
101,415	D Mitchell	Chief Governance Officer (Note 4)	106,104
104,092	J McLachlan	Chief Financial Officer and Head of Finance & ICT (Note 4)	105,994
99,768	L McAulay-Griffiths	Chief Education Officer and Head of Education	105,544
98,535	M McAulay	Head of Children's Health, Care and Justice Services	105,206
789,569			**821,487**

Note 1: 2022/23 costs relate to salary, fees and allowances; there were no taxable expenses or compensation for loss of employment.
Note 2: The Chief Executive remuneration includes £760 in respect of the Local Council Election on 5 May 2022.
Note 3: The Director of Health and Social Care is the Chief Officer of the Integration Joint Board (IJB) and includes £560 in respect of the Local Council Election on 5 May 2022. These full year salary costs for the position £125,765 are replicated in the IJB Accounts.
Note 4: Both the Chief Financial Officer and Head of Finance & ICT and Chief Governance Officer posts include £450 and £560 respectively, in respect of the Local Council Election on 5 May 2022.
Note 5: Details of Senior employees who left the Council during 2021/22 can be found at: Annual Accounts 2021-22

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/152 sets the amount of salary for the Chief Executive of the Council for the year ended 31 March 2023. The Council does not pay bonuses or performance related pay. Chief Officers are entitled to reimbursement for business travel and business related costs in accordance with amounts agreed nationally by the SJNC or as approved by the Council. Chief Officers are eligible to join the Local Government Pension Scheme.

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

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 2022/23. In accordance with the disclosure requirement of the Regulations, the information in the table which follows shows the number of employees in bands of £5,000 and includes the senior employees who are subject to the full disclosure requirements.

		Number of Employees			
2021/22 Total	**Remuneration band**	**2022/23 Officers**	**2022/23 Teachers**	**2022/23 Total**	**Left During Year**
113	£50,000 – £54,999	34	52	**86**	-
114	£55,000 – £59,999	57	69	**126**	1
53	£60,000 – £64,999	18	73	**91**	1
34	£65,000 – £69,999	19	26	**45**	-
2	£70,000 – £74,999	13	19	**32**	-
5	£75,000 – £79,999	3	5	**8**	-
1	£80,000 – £84,999	1	3	**4**	-
5	£85,000 – £89,999	2	-	**2**	-
2	£90,000 – £94,999	8	1	**9**	-
5	£95,000 – £99,999	-	-	**-**	-
1	£100,000 – £104,999	-	1	**1**	-
-	£105,000 – £109,999	5	-	**5**	-
2	£120,000 – £124,999	-	-	**-**	-
-	£125,000 – £129,999	2	-	**2**	-
1	£135,000 – £139,999	-	-	**-**	-
-	£145,000 – £149,999	1	-	**1**	-
338		**163**	**249**	**412**	**2**

Pension Benefits

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

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

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

Senior Employees

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

	In-year Pension Contributions		Accrued Pension Benefits		
Name and Post Title	**For year to 31 March 2023 £**	**For year to 31 March 2022 £**		**As at 31 March 2023 £000**	**Difference from 31 March 2022 £000**
E Fraser	24,390	23,218	Pension	65	2
Chief Executive			Lump Sum	99	3
K Kelly	23,757	21,886	Pension	57	4
Depute Chief Executive			Lump Sum	80	3
C McArthur	20,849	21,559	Pension	51	-
Director of Health and Social Care			Lump Sum	71	6
D Mitchell	20,370	19,255	Pension	51	1
Chief Governance Officer			Lump Sum	74	3
J McLachlan	18,056	17,946	Pension	54	1
Chief Financial Officer and Head of Finance & ICT			Lump Sum	91	4
L McAulay-Griffiths	19,322	19,255	Pension	11	2
Chief Education Officer and Head of Education			Lump Sum	-	-
M McAulay	18,941	18,541	Pension	37	2
Head of Children's Health, Care and Justice Services			Lump Sum	41	1
Total	**145,685**	**141,660**			

Senior Councillors

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

Name and Position Held	In-year Pension Contributions For year to 31 March 2023 £	For year to 31 March 2022 £ (Note 1)		Accrued Pension Benefits As at 31 March 2023 £000	Difference from 31 March 2022 £000
D Reid	7,181	7,168	Pension	12	2
Leader of the Council			Lump Sum	4	1
J McMahon	5,423	5,300	Pension	3	1
Depute Leader (1 April to 5 May, and 19 May to 31 March)			Lump Sum	-	-
J McGhee	528	5,226	Pension	1	5
Leader of the Labour Group (1 April to 5 May)			Lump Sum	-	1
M McKay	4,791	-	Pension	2	2
Leader of the Labour Group (19 May to 31 March)			Lump Sum	-	-
T Cook	512	5,226	Pension	8	3
Leader of the Conservative Group (1 April to 4 May) (Note 3)			Lump Sum	2	-
J McFadzean	4,748	-	Pension	5	5
Leader of the Conservative Group (19 May to 31 March)			Lump Sum	-	-
B Douglas	5,334	5,334	Pension	3	1
Provost (1 April to 5 May), Senior Councillor (19 May to 31 March)			Lump Sum	-	-
Jim Todd	4,928	1,238	Pension	8	6
Provost (19 May to 31 March)			Lump Sum	2	2
G Mair	512	4,033	Pension	5	1
Chair of Governance and Scrutiny Committee (1 April to 4 May) (Note 3)			Lump Sum	-	-
L Jones	4,791	-	Pension	2	2
Chair of Governance and Scrutiny Committee (19 May to 31 March)			Lump Sum	-	-
S Cogley	517	3,954	Pension	-	1
Depute Provost (1 April to 5 May)			Lump Sum	-	-
C Leitch	5,225	5,198	Pension	3	1
Depute Provost (19 May to 31 March), Senior Councillor (1 April to 5 May)			Lump Sum	-	-
C Maitland	5,319	5,226	Pension	3	1
Senior Councillor (1 April to 5 May, and 19 May to 31 March)			Lump Sum	-	-
I Linton	5,319	5,226	Pension	9	1
Senior Councillor (1 April to 5 May, and 19 May to 31 March)			Lump Sum	3	-
N McGhee	512	5,226	Pension	7	2
Senior Councillor (1 April to 4 May) (Note 3)			Lump Sum	2	-
J Roberts	512	5,226	Pension	3	-
Senior Councillor (1 April to 4 May) (Note 3)			Lump Sum	-	-
Jacqui Todd	555	4,033	Pension	2	-
Senior Councillor (1 April to 5 May)			Lump Sum	-	-
G Barton	4,791	-	Pension	1	1
Senior Councillor (19 May to 31 March)			Lump Sum	-	-
E Cowan	4,791	-	Pension	1	1
Senior Councillor (19 May to 31 March)			Lump Sum	-	-
A Filson	4,791	-	Pension	3	3
Senior Councillor (19 May to 31 March)			Lump Sum	1	1
N Ingram	4,791	-	Pension	1	1
Senior Councillor (19 May to 31 March)			Lump Sum	-	-
G Jenkins	-	1,204	Pension	-	-
Senior Councillor (2021/22 part year only)			Lump Sum	-	-
E Whitham	-	1,227	Pension	-	1
Depute Leader (2021/22 part year only)			Lump Sum	-	-
J McFadzean	147	968	Pension	1	-
Chair of Ayrshire Valuation Joint Board (1 April to 5 May)			Lump Sum	-	-
Total	**76,018**	**71,013**			

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

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

Note 3: Did not stand for re-election in 2022.

Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. Exit package values include redundancy, pension strain, and compensatory lump sum for all retirees. The values also include the notional capitalised cost of compensatory added years ("added years"). These are based on an assessment by the pension's provider of the present value of all future payments to the retiree until death.

The number of exit packages with total cost per band and cost of the compulsory and other redundancies are set out below. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. In 2022/23 £0.269m was approved either by Cabinet or under the Head of Human Resources' delegated authority.

2021/22						2022/23				
	Compulsory Redundancies		Other Departures				Compulsory Redundancies		Other Departures	
No	Cash Value £000	Notional CAY Value £000	Cash Value £000	Notional CAY Value £000	Exit Packages Bands	No	Cash Value £000	Notional CAY Value £000	Cash Value £000	Notional CAY Value £000
18	-	-	140	-	£0 – £20,000	1	-	-	3	-
3	-	-	55	34	£20,001 – £40,000	-	-	-	-	-
1	-	-	25	33	£40,001 – £60,000	2	-	-	62	36
3	-	-	146	68	£60,001 – £80,000	2	-	-	110	30
2	-	-	171	16	£80,001 – £100,000	1	-	-	94	-
4	-	-	415	84	£100,001 – £150,000	-	-	-	-	-
4	-	-	375	305	£150,001 – £200,000	-	-	-	-	-
2	-	-	249	195	£200,001 – £250,000	-	-	-	-	-
1	-	-	152	121	£250,001 – £300,000	-	-	-	-	-
38	**-**	**-**	**1,728**	**856**		**6**	**-**	**-**	**269**	**66**

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

Trade Union Facility Time Statement

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

During 2022/23 there were 49 employees who were trade union representatives (44.39 FTE) and the percentage on facility time was:

The percentage of the total paybill spent on facility time was 0.04% and the time spent on paid trade union activities as a percentage of total paid facility time hours was 6.58%

These disclosures are not subject to testing as part of the year-end audit. Details for the period 1 April 2022 to 31 March 2023 are available on our website at:

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

Councillor Douglas Reid
Leader of the Council

Eddie Fraser
Chief Executive

Common Good Account

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

Movement in Reserves Statement for the Year ended 31 March 2023

2021/22 Usable Reserve: Capital and Revenue £m	2021/22 Unusable Reserves : Revaluation Reserve £m	2021/22 Total Reserves £m		2022/23 Usable Reserve: Capital and Revenue £m	2022/23 Unusable Reserves: Revaluation Reserve £m	2022/23 Total Reserves £m
0.384	**5.224**	**5.608**	**Balance as at 31 March 2022**	**0.385**	**5.293**	**5.678**
(0.324)		**(0.324)**	Deficit on Provision of Services	(0.453)	-	**(0.453)**
-	0.394	**0.394**	Surplus/ (Deficit) on Revaluation of Non Current Assets	-	8.587	**8.587**
0.325	(0.325)	-	Depreciation of Non Current Assets	0.458	(0.458)	-
0.385	**5.293**	**5.678**	**Balance as at 31 March 2023**	**0.390**	**13.422**	**13.812**

Income and Expenditure Statement for the Year ended 31 March 2023

2021/22 Expenditure £m	2021/22 Income £m	2021/22 Net £m		2022/23 Expenditure £m	2022/23 Income £m	2022/23 Net £m
0.325	-	**0.325**	Net Cost Of Services	0.458	-	**0.458**
-	(0.001)	**(0.001)**	Interest and Investment Income	-	(0.005)	**(0.005)**
		0.324	**(Surplus) or Deficit**			**0.453**
		(0.394)	(Surplus)/ Deficit on the Revaluation of Non Current Assets			**(8.587)**
		(0.070)	**Total Comprehensive Expenditure**			**(8.134)**

Balance Sheet at 31 March 2023

2021/22 £m		2022/23 £m
5.293	Property Plant and Equipment	13.422
5.293	**Non Current Assets**	**13.422**
0.385	Short Term Investments - Loans Fund	0.390
0.385	**Current Assets**	**0.390**
5.678	**Net Assets**	**13.812**
0.385	Usable Reserves: Capital and Revenue Reserves	0.390
5.293	Unusable Reserves: Revaluation Reserve	13.422
5.678	**Net Reserves**	**13.812**

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

Cost or Valuation:	**Darvel £m**	**Newmilns £m**	**Cumnock £m**	**Kilmarnock £m**	**Total £m**
At 1 April 2022	**0.678**	**0.027**	**0.695**	**4.176**	**5.576**
Revaluations	0.227	-	0.038	5.003	**5.268**
Other movements *	-	-	-	3.005	**3.005**
At 31 March 2023	**0.905**	**0.027**	**0.733**	**12.184**	**13.849**
Depreciation and Impairment:					
At 1 April 2022	**-**	**(0.001)**	**-**	**(0.282)**	**(0.283)**
Depreciation charge	(0.054)	(0.001)	(0.048)	(0.355)	**(0.458)**
Depreciation written out - Revaluations	0.054	-	0.048	0.212	**0.314**
At 31 March 2023	**-**	**(0.002)**	**-**	**(0.425)**	**(0.427)**
Net Book Value at 31 March 2022	**0.678**	**0.026**	**0.695**	**3.894**	**5.293**
Net Book Value at 31 March 2023	**0.905**	**0.025**	**0.733**	**11.759**	**13.422**

* Relates to an asset previously included in the Council's Asset Register, now accurately included in the Common Good.

Trusts and Bequests

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

2021/22 Capital Fund £	2021/22 Revenue Fund £	2021/22 Total Funds £	Fund Balances	2022/23 Capital Fund £	2022/23 Revenue Fund £	2022/23 Total Funds £
32,990.91	**143,210.03**	**176,200.94**	**Opening Balances at 1 April 2022**	**32,990.91**	**75,338.63**	**108,329.54**
-	(68,191.89)	**(68,191.89)**	Expenditure	-	(72,248.24)	**(72,248.24)**
-	320.49	**320.49**	Income	-	959.08	**959.08**
-	**(67,871.40)**	**(67,871.40)**	**(Deficit)**	**-**	**(71,289.16)**	**(71,289.16)**
32,990.91	**75,338.63**	**108,329.54**	**Closing Balance at 31 March 2023**	**32,990.91**	**4,049.47**	**37,040.38**

2021/22 £	Balance Sheet as at 1 April 2022	2022/23 £
-	Investments - External	-
108,329.54	Investments - Loans Fund	37,040.38
108,329.54		**37,040.38**
	Financed By:	
32,990.91	Capital Funds	32,990.91
75,338.63	Revenue Funds	4,049.47
108,329.54	**Closing Balance at 31 March 2023**	**37,040.38**

Name	Origin and Purpose	Loans Fund £	External Investment £	Total £
Archibald Taylor Fund (SC019308)	To provide special nursing or convalescent treatment or a holiday during convalescence	9,703.26	-	9,703.26
Miss Annie Smith Mair Bequest (SC021095)	To assist persons from Newmilns and Greenholm	1,821.18	-	1,821.18
EAC Charitable Trusts (SC025073)	To maintain burial grounds at Dalmellington	25,515.94	-	25,515.94
		37,040.38	**-**	**37,040.38**

We also administer 33 Trusts not registered with OSCR with total assets at 31 March 2023 of £181,030. The combined income of these Trusts in 2022/23 was £2,388 and £2,333 expenditure was incurred in the year.

INDEPENDENT AUDITOR'S REPORT

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Ayrshire Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analysis, Movement in Reserves Statement , Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account, the Council Tax Income Account, and the Non-Domestic Rate Account, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Financial Officer and Head of Finance & ICT and Governance and Scrutiny Committee for the financial statements

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

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

The Governance and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Financial Officer and Head of Finance & ICT as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Financial Officer and Head of Finance & ICT concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

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

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

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

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

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

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

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

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

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow, G2 1BT

GLOSSARY OF TERMS

GLOSSARY OF TERMS

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

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

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

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

Asset Ceiling.
Where a pension reserve is valued at a surplus, an asset ceiling adjustment is applied (IAS 19). The asset ceiling is the present value of future benefits to the council, contained within the pension reserve surplus.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Net Interest on the Net Defined Liability (Asset)
Increase in the obligations due to the passage of time.

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.

Return on Plan Assets.
The excess actual return on assets over what was expected.

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

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

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

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

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

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

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