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20 September 2023

**AUDIT AND GOVERNANCE PANEL (SPECIAL) – Wednesday 27
September 2023 at 10.00 a.m.**

B U S I N E S S

Item 2. Final Report on the 2022/23 Audit – Submit report by the Head of Finance, ICT and Procurement (copy herewith).

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South Ayrshire Council

**Report by Head of Finance, ICT and Procurement
to Audit and Governance Panel (Special)
of 27 September 2023**

Subject: Final Report on the 2022/23 Audit

1. Purpose

- 1.1 The purpose of this report is to submit the Annual Accounts for the financial year ended 31 March 2023 and the proposed independent auditor's report to Members of the Council, and to allow the auditor to communicate the matters raised during the audit to the Panel.

2. Recommendation

2.1 It is recommended that the Panel:

- 2.1.1 considers the 2022/23 Annual Audit Report by Audit Scotland (Annex 1), and notes that the Annual Accounts and Charitable Trust Accounts have an unmodified audit opinion;**
- 2.1.2 notes that the attached Annex 1 includes best value information that has previously been presented to Members;**
- 2.1.3 approves the Council's audited Annual Accounts (Annex 2) for signature and their subsequent issue by 30 September 2023; and**
- 2.1.4 approves the Charitable Trusts' audited Annual Accounts (Annex 3) for signature and their subsequent issue by 30 September 2023.**

3. Background

- 3.1 Audit Scotland undertook its audit of the 2022/23 Annual Accounts of South Ayrshire Council in accordance with the requirements of the Local Government (Scotland) Act 1973, and the Code of Audit Practice approved by Audit Scotland.
- 3.2 A full and separate audit is also required for each registered charity where Elected Members of South Ayrshire Council are sole trustees. Members of South Ayrshire Council are sole trustees for three charitable trusts with total assets of £0.139m.
- 3.3 The Audit and Governance Panel, as stated in the Scheme of Delegation, acts as the Audit Committee of the Council within the remit and powers as set out in detail in the Audit Committee Handbook approved by Council. This includes the receiving and considering all reports of the external auditors including reports relating to charitable trusts administered by the Council and of which Councillors are Trustees.

3.4 In June 2023, the Audit and Governance Panel considered the initial findings from Audit Scotland's recent Best Value thematic work in South Ayrshire and remitted the draft Audit Scotland report and improvement plan to Cabinet on 29 August 2023 for approval.

4. Proposals

4.1 Recognised best practice requires the Council, or a committee thereof, to consider the draft Council Annual Accounts (refer to Annex 2) and the Charitable Trust Annual Accounts (refer to Annex 3) and the proposed independent auditor's report, and to approve a recommendation that the Head of Finance, ICT and Procurement, the Chief Executive and the Leader of the Council sign the accounts.

4.2 The auditors are required under International Standard on Auditing 260 to communicate matters relating to the audit of the financial statements to those charged with governance of a body (for South Ayrshire Council, this is the Audit and Governance Panel) to enable appropriate action to be taken (this document, known as the Annual Audit Report, is attached at Annex 1).

4.3 There is an unmodified audit opinion in the proposed independent auditor's report for the Council and Charitable Trusts.

4.4 The accumulated surplus at 31 March 2023 is £47.477m. This accumulated surplus position remains unchanged from the figures reported to the Audit and Governance Panel on 28 June 2023.

4.5 As outlined in 3.4 above, the Audit and Governance Panel previously considered the recent Audit Scotland Best Value thematic work in South Ayrshire and Members will note that much of the content of that report has been replicated within Annex 1, along with the agreed action plan approved by Cabinet in August 2023.

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 Not applicable.

7. Human Resources Implications

7.1 Not applicable.

8. Risk

Risk Implications of Adopting the Recommendations

8.1.1 There are no risks associated with adopting the recommendations.

8.2/

8.2 **Risk Implications of Rejecting the Recommendations**

- 8.2.1 If the accounts are not signed by the Accounts Commission deadline of, then this may result in significant reputational damage for South Ayrshire Council.

9. **Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Annex 4.

10. **Sustainable Development Implications**

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. **Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. **Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

13. **Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers **Report to Audit and Governance Panel of 28 June 2023 – [Annual Accounts 2022/23](#)**

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Date: 20 September 2023

South Ayrshire Council

Proposed 2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of South Ayrshire Council and the Controller of Audit
September 2023

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Key messages

2022/23 Annual Accounts

- 1 An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the three section 106 charities administered by the council. The accounts show a true and fair view of the council's financial position.
- 2 We have identified a number of errors in the accounting for property, plant, and equipment. While the errors identified have been corrected in the Annual Accounts, the council needs to review its procedures in accounting for these assets.

Best Value

- 3 A number of improvements are required to demonstrate achievement of Best Value. The council has made progress with the recommendations made in its [2021 Best Value Assurance Report](#), but the pace of improvement has been slow in some key areas. In particular, effective reporting on progress against target outcomes, to deliver council priorities, is now key to the council demonstrating Best Value.

Vision and leadership

- 4 The Council Plan 2018-22 was extended to March 2023, to allow the new administration to set its strategic priorities.
- 5 The Council Plan 2023-28, approved in March 2023, sets out the council's vision, broad priorities, and high-level outcomes going forward. The council's leadership, elected members, and senior officers, recognise that decisive and focussed leadership is now needed if it is to achieve its priorities and improve outcomes for citizens.

Financial management

- 6 The council operated within budget in 2022/23.
- 7 The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

Financial sustainability

- 8 The council approved a balanced budget for 2023/24 in March 2023. The council has in place medium and longer-term financial plans. At their next review date these should be aligned with the priorities set out in the new Council Plan.
- 9 The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 shows an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26.
- 10 The council's strategic change programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish expected cashable benefits and baseline activity for most of the 14 projects in the programme.

Governance

- 11 Appropriate governance and decision-making arrangements are in place at the council.

Use of resources to improve outcomes

- 12 The council's leadership recognise that the pace of improvement needs to increase. Plans to reintroduce a corporate approach to self-evaluation need to be progressed to support this.
- 13 The council's overall performance per national benchmarking shows an improving position over time. However, while 51% of national indicators are in the top two quartiles of councils, this has fallen from 57%, showing the rate of service improvement has slowed compared to others.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of South Ayrshire Council (the council). The scope of the audit was set out in an [Annual Audit Plan](#) presented to the 22 March 2023 meeting of the Audit and Governance Panel. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's Annual Accounts.
- conclusions on the council's performance in meeting its Best Value duties.
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the members of council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Fiona Mitchell-Knight (Audit Director), have been appointed by the Accounts Commission as auditor of South Ayrshire Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing Annual Accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice 2021, and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Governance Panel we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £327,650 (including £1,100 for the audit of the charitable trusts administered by the council) as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to the council by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 Annual Accounts

The council is required to prepare Annual Accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the three section 106 charities administered by the council.

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

We have identified a number of errors in the accounting for property, plant, and equipment. While the errors identified have been corrected in the Annual Accounts, the council needs to review its procedures in accounting for these assets.

Audit opinions on the Annual Accounts of the council and its group are unmodified

12. The Annual Accounts for the council and its group for the year ended 31 March 2023 were approved by the Audit and Governance Panel on 27 September 2023. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

13. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

The unaudited Annual Accounts were received in line with the agreed audit timetable

14. The unaudited Annual Accounts were received in line with our agreed audit timetable on 28 June 2023. The Annual Accounts submitted for audit were of a good standard and supporting working papers were reasonable. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Our audit testing reflected the calculated materiality levels

15. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

16. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited Annual Accounts and is summarised in [exhibit 1](#).

Exhibit 1

Materiality values for the council and its group

Materiality	Council	Group
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2023.	£12.270 million	£12.280 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of overall materiality.	£7.975 million	£7.980 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.250 million	£0.250 million

Source: Audit Scotland

Identified gross misstatements of £33.856 million were adjusted for in the Annual Accounts

17. We identified misstatements, including misclassifications, with a gross value of £33.856 million in the unaudited Annual Accounts. As the total was above our performance materiality level, we considered the need to revise our audit approach.

18. Management have now adjusted the Annual Accounts to correct all the misstatements. Further details of these adjustments are included in [exhibit 2](#) and [paragraph 24](#).

We have significant findings to report on our audit of the Annual Accounts

19. Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to members, including our view about the qualitative aspects of the council's accounting practices.

20. The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

21. Our significant findings are detailed in [exhibit 2](#).

22. The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

23. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Exhibit 2

Significant findings and key audit matters from the audit of the Annual Accounts

Issue	Resolution
<p>1. Accounting for property, plant, and equipment</p> <p>Our testing of the council's property, plant and equipment identified the following issues:</p> <ul style="list-style-type: none"> • There were 624 assets with a net book value of £26 million that had not been covered by the council's 5-year revaluation programme. The council has confirmed these will be included in the 2023/24 valuation programme. • An adjustment of £4.029 million was required for a duplicate asset included in the valuations. • The total revaluation of 7 assets was added to the revaluation reserve, instead of the difference between revaluation and cost. This resulted in a gross error of £7.164 million and a net adjustment of £2.552 million to the unusable reserves. • A depreciation charge was omitted from 80 assets. This resulted in an adjustment of £3.693 million. • Two assets had a negative net book value. This resulted in an adjustment of £1.073 million to bring them to zero. • 54 assets that had been disposed of in prior years remained on the fixed asset register. This resulted in an adjustment of £0.955 million. • Valuations relating to 135 HRA lock ups had not been appropriately updated. This resulted in an adjustment of £1.327 million. 	<p>Management have corrected the misstatements in the audited Annual Accounts. These adjustments resulted in a net decrease to the long-term assets balance of £6.379 million with a corresponding decrease in unusable reserves. There was also a reduction of £6.379 million in total comprehensive income.</p> <p>In response to the issues, we undertook additional audit testing across a range of asset categories. No further misstatements were identified.</p> <p>Improvements need to be made in the accounting for these assets in 2023/24.</p> <p>Recommendation 1</p> <p>(See Appendix 1, action plan)</p>

Issue	Resolution
<p>2. Pension balance</p> <p>The pension balance represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this liability.</p> <p>The council is a member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.</p> <p>The council's 2022/23 valuation showed an asset of £265.031 million (2021/22: liability of £17.001 million). As required by accounting standards, the asset shown in the council's Balance Sheet has been limited to £22.566 million. The amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.</p>	<p>This is included for information due to the large year-on year movement in the pension balance.</p> <p>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

Source: Audit Scotland

Other matters identified from our audit of the Annual Accounts

24. In addition to our findings in [exhibit 2](#) above, the following adjustments to the Annual Accounts were identified through our audit testing:

- Group accounts:** In the consolidation of group accounts, the prior year figures were used in error for two entities. Within the Group Comprehensive Income and Expenditure Statement this resulted in the group deficit on the provision of services increasing by £12.299 million to £34.804 million with a corresponding increase in the group other comprehensive income line (from £67.582 million to £79.811 million). There was no impact on the group total comprehensive income for 2022/23.
- Financial instruments:** The carrying amount of borrowings and investments were understated in the unaudited accounts due to accrued interest being classified within the creditors balance. This resulted in an increase in borrowing of £2.939 million, investments of £0.377 million and

a corresponding decrease in creditors. There was no bottom-line impact on the Balance Sheet.

25. Management have made the appropriate adjustments for both above points.

The council's revaluation approach will be revised for 2023/24

26. There is a significant degree of subjectivity in the land and buildings valuations, these represent an increased risk of material misstatement in the financial statements. This risk has increased in recent years due to the volatility in a range of factors impacting on land and property valuations, including market prices, and building costs.

27. To ensure the accuracy of land and property valuations within the Annual Accounts, management obtain expert advice from appropriately qualified staff. All land and buildings are revalued over a 5-year rolling programme. The use of a rolling revaluation programme is an accepted practice permitted by the Code.

28. Each year the land and buildings of a different class of asset are revalued. This can lead to significant movements in value between valuations of some classes of large assets only subject to revaluation every five years.

29. As part of our audit work this year, we identified several assets which had not been revalued in over 5 years. A full assessment of the asset register was completed by the council's estates team, and it was identified that 624 assets had been erroneously omitted from the council's 5-year rolling programme. The council confirmed these will be included in the 2023/24 valuation programme.

30. Management recognise that the current approach can lead to uneven valuation movements arising each year. They have agreed to consider a matrix approach to valuations through valuing a sample of assets across different class of assets each year. This will identify any indication of material movements across the class of assets that may require the full class to be revalued.

Recommendation 2

The council should consider a matrix approach to valuations whereby a percentage of each class of asset is revalued each year. The council should ensure that all assets are included in this future programme.

Our audit work responded to the risks of material misstatement we identified in the Annual Accounts

31. We have obtained audit assurances over the identified significant risks of material misstatement in the Annual Accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3**Significant risks of material misstatement in the Annual Accounts**

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments</p>	<p>Results: Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found arrangements in place were satisfactory.</p> <p>We assessed the design and implementation of controls over journal entry processing. Paragraph 85 identifies an opportunity to strengthen the controls over journals.</p> <p>Journal adjustments were tested, and no indication of management override of controls were found.</p> <p>We reviewed transactions during the year - no issues were identified with significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>Conclusion: No instances of management override of controls were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Significant estimation and judgment: other land and buildings, council dwellings and schools PPP valuations</p> <p>The council held other land and buildings, including its council dwellings and school PPP estate, with a net book value of more than £640 million as at 31 March 2022.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets.</p> <p>Risk: Valuations of these assets are materially misstated.</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Critically evaluate the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Test the reconciliation between the financial ledger and the asset register.</p> <p>Evaluate management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>Critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</p>	<p>Results: We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation team's work, and the external valuer, confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management's assessment that land and buildings not revalued in 2022/23 are not materially misstated, to be reasonable, and found assumptions made to be appropriate.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We found that appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluations.</p>

32. In addition, we identified the pension balance as an “other area of audit focus” in our 2022/23 Annual Audit Plan. This is considered in [exhibit 2](#) and based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

The council’s 2022/23 Management Commentary provides a fair and balanced picture of its performance and operational activity for the year

33. The council’s Management Commentary that accompanies the Annual Accounts explains how the council has performed against its budget. The council has included a good level of disclosure on the principal risks it is facing going forward. This includes details on the challenging financial environment the council is operating within due to budget pressures and demand for services.

34. In our view, the 2022/23 disclosure represents a fair and balanced commentary on the council’s performance in 2022/23 and is transparent on the risks it faces in the coming year. This is presented in a user-friendly format which makes good use of relevant infographics that help tell the story of the council’s performance in 2022/23 and provides a clear link to the figures in the financial statements.

The Annual Governance Statement provides an appropriate level of disclosure on the council’s governance arrangements during 2022/23

35. The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016. The council’s Annual Governance Statement complies with this guidance.

The audited part of the Remuneration Report was consistent with the Annual Accounts and has been prepared in accordance with applicable regulations

36. The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a Remuneration Report within its Annual Accounts that includes details of:

- the remuneration of relevant persons, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- information on pay bands and the number and cost of exit packages approved during the financial year.

37. We have no issues to report in relation to the information included within the Remuneration Report in the council’s 2022/23 Annual Accounts.

Our audit opinions on the Annual Accounts of the three section 106 charities administered by the council are unmodified

38. In addition to administering several trusts that have non-charitable status, Elected members of the council are trustees for three registered Scottish charities:

- South Ayrshire Charitable Trust: charity number - SC045677
- South Ayrshire Council Charitable Trusts: charity number - SC025088
- McKechnie Trust: charity number - SC012759

39. The trust balances are disclosed in a note in the council's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.

40. As a result of the interaction of the Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

41. Our duties as auditors of the charities administered by South Ayrshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

42. We have given an unqualified opinion on the Annual Accounts of the three charities administered by the council and have no matters to report under ISA (UK) 260 (*Communication with Those Charged with Governance*) or ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*).

2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

A number of improvements are required to demonstrate achievement of Best Value. The council has made progress with the recommendations made in its 2021 Best Value Assurance Report, but the pace of improvement has been slow in some key areas. In particular, effective reporting on progress against target outcomes, to deliver council priorities, is now key to the council demonstrating Best Value.

The Council Plan 2018-22 was extended to March 2023. The council did not effectively measure and report its performance against targets for the priorities in this plan.

The Council Plan 2023-28, approved in March 2023, sets out the council's vision, broad priorities, and high-level outcomes going forward. The council's leadership, elected members, and senior officers, recognise that decisive and focussed leadership is now needed if it is to achieve its priorities and improve outcomes for citizens.

Plans to reintroduce a corporate self-evaluation tool also need to be progressed.

Best Value work in 2022/23

43. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

44. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2022/23 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on leadership in the development of the council's strategic priorities.
- Progress made against Best Value improvement actions made in previous years.
- Council service performance improvement.

- Effectiveness of council performance reporting.

45. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

Leadership in the development of the council's strategic priorities

46. This year auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The results of this work were [reported](#) to the council's elected members at the June 2023 Audit and Governance Panel.

47. The key findings in this [report](#) were as follows:

- 1** The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. To achieve the council's priorities the leadership of the council, senior officers, and elected members, are committed to increasing the pace of change in the council.
- 2** Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. In September 2022, there was a restructuring of the Corporate Leadership Team, and a number of changes in senior officer posts over the last year. The current Chief Executive is retiring in the autumn which will bring further change. See [paragraphs 119 to 123](#) for further information.
- 3** The [2021 Best Value Assurance Report](#) said that the council's pace of improvement needed to increase in some key Best Value areas. The council made progress with recommendations made in the report but failed to effectively measure its performance against targets for the priorities in the previous council plan to March 2023. Senior officers acknowledge this and are now focussed on developing a framework to support delivery of the new Council Plan.
- 4** In June 2023, the Council is due to discuss and approve service plans, which demonstrate how the council aims to deliver on its priorities and align its resources to these. The plans include service performance targets that will be monitored.
- 5** A performance management framework to report progress against the Council Plan targets was discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023. See [paragraphs 52 to 60](#) for further information.
- 6** The results of prior consultation responses were used when developing the new Council Plan priorities. The council then sought comments from citizens on the proposed priorities.
- 7** To support community priorities the council has published two Place Plans for Ayr North and Girvan. Whilst community engagement took place, and priorities have been identified for other place plans, these have not yet been approved by members and published. The Council Plan says it is taking a place-based approach to planning services. These Place Plans therefore need to be published to demonstrate the focus for this approach.

- 8** The council approved a balanced budget for 2023/24 in March 2023 before the council's priorities were agreed. In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. There is evidence of public consultation being reflected in the agreed budget. See [paragraphs 93 to 99](#) for further information.
 - 9** The council has in place medium and longer-term financial plans which show an estimated gap of between £28.7 and £39.5 million by 2025/26. Given the significant financial challenges faced by the council, difficult decisions will need to be made by members on how resources are used and how services are delivered. See [paragraphs 100 to 110](#) for further information.
 - 10** In October 2022 a Director of Strategic Change and Communities was appointed, whose remit includes overseeing the council's Strategic Change Programme. This is the focus for changing how services are delivered in the future. It was recognised that the current programme was unachievable and required refocus. In June 2023, a revised programme containing 11 projects is being considered by the Cabinet. Benefits tracking for each project has been developed. See [paragraphs 111 to 116](#) for further information.
 - 11** There has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic. There is some self-evaluation across services but more needs to be done to challenge services across the council. Plans to reintroduce a corporate self-evaluation tool need to be progressed. See [paragraphs 61 to 63](#) for further information.
 - 12** The council's own overall performance taken from national benchmarking data shows an improving position over time. At April 2023, 51% of national indicators were in the top two quartiles of Scottish councils, but this has fallen from 57%, showing that the pace of improvement has slowed compared to others. The council's self-evaluation should include understanding and reporting its performance in relation to other councils. See [paragraphs 143 to 148](#) for further information.
 - 13** The South Ayrshire Community Planning Partnership Local Outcomes Improvement Plan (LOIP) is due to be refreshed with partners later in 2023. Alignment with the Council Plan is being considered as part of this.
 - 14** In the Council Plan, the commitment to reducing inequalities is expressed through its reference to 'everyone' in the community benefitting from each outcome. Equalities is a cross cutting theme to be considered when decisions are made. A new Impact Assessment approach is under development. In September, the Cabinet is to consider a paper setting out how the council will measure its success in reducing inequalities.
 - 15** Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes. The council is demonstrating good practice by setting a carbon budget. However, it is unclear how progress will be monitored on the crosscutting theme.
- 48.** Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value. Audit improvement recommendations were included in the thematic report and are replicated in [Appendix 1](#) of this report. This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

The council has made progress with all the recommendations made in its 2021 Best Value Assurance Report, but the pace of improvement has been slow in some key areas

49. The [2021 Best Value Assurance Report](#) (2021 BVAR) for South Ayrshire Council was published in October 2021. It reported that “public services at South Ayrshire Council perform well and residents are satisfied with the services they receive. However, the council must move faster in changing services for the future.” It said that there had been limited progress on key aspects of Best Value and the council’s leadership needed to increase its ambition, pace, and focus to deliver improvements in these areas.

50. The 2021 BVAR contained six improvement recommendations. In response to these recommendations, the council approved an action plan in December 2021 drafted by the Best Value Member/Officer Working Group. Each action plan point included an agreed due date and owner. Since December 2021, quarterly updates on progress against the action plan have been reported to the Audit and Governance Panel. Each update to the Panel tracks progress against the planned actions and provides the latest detail on each. In the most recent update reported to the Panel in March 2023, management noted all actions as complete.

51. As part of our 2022/23 Best Value thematic work, we followed up the agreed actions from the 2021 report. We concluded that further work is still required on two of the six recommendations. These relate to further improvements needed to the council’s performance reporting (see [paragraph 52 to 60](#)) and delivery of its strategic change programme (see [paragraphs 111 to 116](#)).

The council did not effectively measure its performance against targets for priorities in its previous plan. Effective reporting on progress against target outcomes, to deliver council priorities, is now key

52. The [Best Value Revised Statutory Guidance 2020](#) says that performance management arrangements should be in place to promote the effective use of the local authority’s resource, which includes effective performance reporting.

53. The thematic report says that despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan.

54. The council’s 2021 BVAR was critical of its performance management framework and reporting, including its use of key performance indicators. Targets were not assigned to these which made the monitoring of performance, and outcomes, against each priority area of the Council Plan 2018-22 difficult to determine. However, the pace of change in response to this 2021 BVAR recommendation has been slow. The council updated its performance management framework in 2022. At the time officers explained that it was considered difficult to set retrospective targets for all areas of the old Council Plan and instead focus was on ensuring the required improvements were made to the new plan.

55. In January 2022, due to the council election in May 2022, members agreed to extend the council plan 2018-22 to March 2023, to allow a new administration to set its strategic priorities.

56. In August 2022, the council reported its 2021/22 performance against 81 measures associated with achieving the strategic objectives from the extended Council Plan. Only three of these measures had targets and so it is difficult to ascertain how performance differed from what was expected. Further performance reports were produced in November 2022 and April 2023, but they only included information on the 23 indicators that could be reported quarterly. The April 2023 report noted that the next performance report will relate to the new Council Plan 2023-2028 and is scheduled to be presented in November 2023.

57. The council's annual performance report, considered by members in December 2022, remains focused on areas of positive performance with less information about areas of poorer performance and how they will be addressed. The annual performance report is organised around the council's priorities, but the lack of a summary and dearth of targets meant it was difficult to ascertain the council's progress against its priorities. The plans for performance measures with agreed targets should allow the council to effectively monitor and demonstrate progress against its new Council Plan priorities. The council has committed to reviewing the content and presentation of its annual performance reports, with the 2022/23 report due for publication in December 2023.

58. In response to an audit recommendation in the BV thematic report, replicated in [Appendix 1](#) of this report, the council is to make improvements to ensure:

- a balanced view of progress against the council plan priorities should be reported regularly to members
- a timetable for performance reporting to elected members should be a priority
- performance reports include details or links to planned improvement actions
- public performance reporting fully complies with the new Statutory Performance Information Direction.

59. A performance management framework to report progress against the Council Plan targets was discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023. We will report on the effectiveness of the framework in future years.

60. To report effectively on its progress towards meeting its priorities, new service plans have been approved for each council service. They show the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact. Service plans will be monitored by Council Leadership Team quarterly, with

reports going to Service and Partnerships Performance Panel (S&PP) in quarters two and four. An annual report will be produced every December for approval by Council.

The thematic report says there has been a gap in corporate self-evaluation of service performance at the council. The plans to reintroduce a corporate self-evaluation tool need to be progressed

61. The 2021 BVAR reported that the council had been using the ‘How Good is Our Council’ (HGIOC) approach to self-evaluation since 2010. HGIOC was linked to the council’s performance management framework and focused on key performance indicators. Services were continually reviewed based on inspection reports, and service reviews were triggered by performance. There had been an increased focus on self-evaluation, with training being provided to officers and members and a ‘Guide to Self-Evaluation’ was published in August 2019.

62. This changed with the pandemic, while self-evaluation has taken place in some services, there is now not a corporate approach to self-evaluation. The council is now reviewing its approach and will now determine which evaluation tool best meets its needs to progress this by December 2023.

63. This is reflected in an audit recommendation in the BV thematic report, replicated in [Appendix 1](#) of this report, which says that a corporate approach to self-evaluation need to be progressed, which should include an understanding of its performance in relation to other councils.

Public performance reporting needs to improve. The council has made recent improvements to its website, working towards compliance with the requirements of the Statutory Performance Information Direction

64. The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

65. The council has a dedicated public performance reporting webpage. However as noted above, the Best Value thematic work found issues that impact on the effectiveness of the public performance reporting:

- the council failed to effectively measure its performance against targets set for the priorities in the previous council plan to March 2023 (SPI 1)
- there has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic (SPI 2).

66. In addition, a performance report, the Local Government Benchmarking Framework (LGBF) 2021/22, presented to the Service and Partnerships Performance Panel in June 2023, and published on the council website, contained errors with the performance data reported to members. Whilst the headline percentages were reported correctly, the detailed breakdown of the direction of travel for a number of indicators was incorrect. This was due to officer error in analysing the data. The council has confirmed that an updated report will be provided to members and published on its website. It has also committed to reviewing the presentation of future reports to better link this national data to its own strategic priorities and areas of interest.

67. The council's dedicated public performance reporting webpage is being updated. This has included updating information and links and re-organising the layout to make the site more user friendly. However, improvements are required to include the council's response to external reviews.

68. In our view, there are improvements to be made to the public performance reporting. The council recognises this and is working towards compliance with the requirements of the Statutory Performance Information Direction.

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The council operated within budget in 2022/23.

The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

Financial systems of internal control were designed effectively, but we identified that controls could be strengthened in key areas. Standards for the prevention and detection of fraud remain appropriate.

The council operated within budget in 2022/23

69. The council approved its 2022/23 budget in March 2022. The budget was set at £304.962 million, which included planned savings of £1.522 million and use of reserves totalling £3.096 million. Budget adjustments throughout the year resulted in a revised budget for 2022/23 of £325.478 million which included a draw down from reserves for earmarked spend of £27.871 million.

70. In the 2022/23 Annual Accounts, the council reported an actual underspend of £13.716 million before earmarking. The most significant underspends are summarised in [exhibit 4](#).

Exhibit 4

Summary of significant variances against budget

Area	Total	Reason for variance
Underspends		
Education	£2.718 million	The underspend was due to delays in filling vacant posts and the timing of spend on multi-year programmes such as Early Learning and Childcare and Pupil Equity Fund. These monies will be carried over into 2023/24.
Strategic Change and Communities	£6.897 million	The underspend was due to delays in filling vacant posts combined with over recovery of income in leisure facilities and the receipt of grant income monies which are being carried in to 2023/24.

Source: South Ayrshire Council 2022/23 Annual Accounts

There was a £2.857 million net increase in usable reserves

71. One of the key measures of the financial health of a council is the level of reserves held. In 2022/23 there was a net increase of £2.857 million in the council's usable reserves, with the total now sitting at £61.798 million ([exhibit 5](#)).

72. Within the general fund reserve the most significant movements were in relation to the following:

- Planned use of £27.871 million for earmarked spend agreed through decisions taken by members during the year.
- Increase of £21.720 million following the application of Service Concession Arrangements (PPP/PFI) flexibilities in accordance with [Finance Circular 10/2022](#).
- Increase of £13.716 million due to 2022/23 underspend.

73. In addition to the above, the council utilised £8.170 million of Covid-19 funding carried forward from 2021/22. The total Covid-19 funding held in the reserve at 31 March 2023 is £5.912 million. The council has identified commitments that will utilise £4.977 million of this in 2023/24.

Exhibit 5

South Ayrshire Council - usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million
General fund	£37.373	£39.877	£47.744
Housing revenue account	£14.254	£9.531	£3.279
Capital grants unapplied	£3.697	£6.379	£9.478
Repairs and renewals	£1.845	£1.682	£1.159
Capital fund	£2.744	£1.472	£0.138
Total usable reserves	£59.913	£58.941	£61.798

Source: South Ayrshire Council Annual Accounts 2020/21 to 2022/23

74. As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Head of Finance, ICT and Procurement) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- **Working balance:** To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- **Contingency:** To cushion the impact of unexpected events or emergencies.
- **Known requirements:** To build up funds to meet known or predicted requirements.

75. The council's general fund reserve includes an unearmarked balance of £7.772 million, representing 3% of the expenditure budget of £233.589 million for 2023/2024. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's approved strategy of maintaining unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. The remainder of the general fund reserve, £40.302 million, is earmarked for specific purposes such as the PPP/PFI benefit for future budgets (£14.000 million), Covid-19 recovery costs (£5.912 million) and the council's workforce change fund (£5.932 million).

Capital expenditure increased in 2022/23 but there continues to be challenges in the construction industry

76. Total capital expenditure in 2022/23 was £117.486 million. The council's total capital budget for 2022/23 was set at £198.178 million for 2022/23 but was subject to budget revisions throughout the year resulting in a final budget for both general services and housing of £119.064 million. During 2022/23 the construction industry has returned to more normal levels in terms of productivity and workflow, however, there continues to be challenges due to inflation, the impact of Brexit and the ongoing war in Ukraine.

General services programme 2022/23

77. General Services Capital Programme monitoring reports are presented to Cabinet throughout the year providing updates on the progress of current projects and the programme budget.

78. The general services capital programme budget was set at £128.974 million for 2022/23. Several revisions were made to the budget throughout the year resulting in a final budget of £90.749 million, mainly due to re-profiling of projects from 2022/23 to 2023/24 and beyond to reflect delivery timescales in the current climate. The most significant of these relates to the Ayr Leisure Facility after the council decided not to proceed with the plans for a new Ayr Leisure Centre due to increasing costs arising from inflation. The general services capital programme outturn spend was £89.171 million which represents slippage of less than 2% against the revised budget.

Housing capital programme 2022/23

79. Housing Capital Programme monitoring reports are presented to Cabinet throughout the year. The housing capital budget was set at £69.204 million for 2022/23. Throughout the year revisions were made to the budget to re-profile projects from 2022/23 to 2023/24 resulting in a final budget of £28.315 million. The majority of this re-profiling relates to modernisation and replacements to council properties throughout South Ayrshire. The housing programme outturn spend in 2022/23 was in line with the revised budget at £28.315 million.

80. During 2022/23, the council delivered 45 affordable homes for the people of South Ayrshire. In August 2023, The Local Housing Strategy 2023-2028 (LHS) was approved by Cabinet for submission to the Scottish Government. The Scottish Government's "Housing to 2040" sets out its ambition to deliver 110,000 affordable homes over a 10-year period to 2032/32, with at least 70% of these for social rent. South Ayrshire's LHS sets out the council's target of 135 units of affordable housing to be built or acquired per year to contribute towards meeting local housing needs.

81. The LHS has taken into consideration fuel poverty, the rising living costs together with the need to improve the efficiency of homes from both a social and environmental perspective. To ensure homes are affordable, rent levels for new build properties will be set on or below the local housing allowance and new build properties will aim to be cheaper to heat through measures that will include enhanced floor and roof insulation. As well as being cheaper to run,

improvements to energy efficiency will help the council meet outcomes set out in its Climate Change and Sustainable Development Strategy 2019-2024.

82. The council is in the top five councils in Scotland in terms of the percentage of council dwellings that meet the Scottish Housing Quality Standards and the proportion of council dwellings that are energy efficient. For all five Housing Services indicators in 2021/22, the council is in the top two quartiles nationally, up from 60% in the top two when compared with the data's base year (2013/14).

There are well-established budget monitoring and reporting processes in place

83. The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

84. The Cabinet regularly review progress against budget throughout the year. The budget updates provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from members.

Financial systems of internal control were designed effectively, but we identified that controls could be strengthened in key areas

85. From our review of the design and implementation of systems of internal control relevant to our audit approach (including those relating to IT), we have not identified any issues that represent a risk of material misstatement for the 2022/23 Annual Accounts. We have though identified two areas where a control could be strengthened:

- **Journal authorisation:** The council's financial ledger is the system for recording all transactions and preparing the financial statements. Journal entries are how the council's financial ledger is manually updated. To minimise the risk of error and fraud we would expect each journal entry to be prepared and authorised by different members of staff. This control is not in operation for staff at "level 9" and above. However, officers have explained that a mitigation for this is the authorisation value limits built in to ensure that once a certain journal value is reached the journal is automatically routed to a more senior officer for authorisation. The ability of officers to approve their own journals increases the risk that invalid, erroneous or fraudulent journals could be posted to the financial ledger.
- **Payroll validation:** Employee validation checks to confirm the existence of employees provides assurance on the completeness and accuracy of payroll records and is an important control within any payroll system. This process is not currently in place at the council. There is a risk that payments are made to individuals not in the employment of the council.

86. In response to these points, we extended our sample over journals and undertook our own employee validation checks. No issues were identified from this testing.

87. The control deficiencies reported here are limited to those we identified while completing our audit work for these purposes. Except for these suggested improvements, the key controls within the council's main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to its Annual Accounts is low.

Recommendation 3

Journal authorisation: each journal should be prepared and authorised by different members of staff.

Recommendation 4

Payroll validation: the council should ensure formal procedures are in place to validate staff on the payroll.

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2022/23

88. The internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

89. Internal audit's annual report, presented to the June 2023 Audit and Governance Panel, concluded that overall reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption

90. The council has a range of established procedures for preventing and detecting fraud and irregularity including anti-fraud and bribery policies and codes of conduct for members and officers.

91. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. For the 2022/23 exercise, the council has made good progress in reviewing all very high-risk matches. The council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

92. We have concluded that the council has in place appropriate arrangements for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The council approved a balanced budget for 2023/24 in March 2023.

The council has in place medium and longer-term financial plans. At their next review date these should be aligned with the priorities set out in the new Council Plan.

The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 shows an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26.

The council's strategic change programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish expected cashable benefits and baseline activity for most of the 14 projects in the programme.

The council approved a balanced budget for 2023/24 in March 2023

93. We recognise the increasingly challenging financial environment councils are operating in. Additionally, in its May 2023 [Local Government in Scotland Overview 2023](#) report, the Accounts Commission commented on the limited flexibility councils have with their funding, noting that: "An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need."

94. The council approved a balanced budget for 2023/24 of £233.589 million in March 2023. In addition to this, the council committed £96.349 million to the South Ayrshire Health and Social Care Partnership. This balanced budget followed a final grant settlement from Scottish Government of £256.598 million. The council took the decision to increase council tax by five per cent to fund service expenditure in 2023/24.

95. In line with the Accounts Commission's commentary on the need for councils to undertake a review of their services and consider areas for reform, as part of its initial budget proposals, the council had plans for reducing teacher numbers in line with falling pupil rolls. However, in a letter from the Deputy Director: Workforce, Infrastructure and Digital on 9 February 2023 to all local authorities, the Scottish Government confirmed the need for councils to protect teacher numbers, pupil support staff and learning hours. In response to this the council removed its proposals as it would have resulted in the withdrawal of funding and additional savings would have been required to compensate for this.

96. Following the budget consultation, to balance the budget and address the budget gap, and the late change in Scottish Government policy on teacher numbers, the council identified savings of £5.686 million. The 2023/24 budget also utilises £1.120 million of uncommitted reserves, and £5 million of retrospective reserves from the service concession (PPP/PFI) flexibilities agreed in December 2022.

97. The council's identified savings of £5.686 million is made up of a number of initiatives including service redesigns and reductions, reductions to budgets and removal of vacant posts. Going forward the council needs to ensure that identified savings are in line with its priorities. Alignment with the council's transformational change programme is discussed further at [paragraphs 111 to 116](#) is also key.

98. Budgeted service expenditure in 2023/24 includes additional investment of £10.789 million to fund cost pressures on key services, such as neighbourhood services and to provide new benefits to communities. For example, £0.250 million was committed in 2023/24, with a proposed continual investment for the next five years, in the delivery of the International Ayrshow: Festival of Flight. This aims to bring tourism and economic regeneration into South Ayrshire.

99. Capital investment has also been committed, including £1 million in each of the 8 wards across South Ayrshire over the next four years to make infrastructure improvements to benefit communities. These investment decisions have been influenced using the information collated from the council's engagement with its communities as part of its place planning. The identified projects have been linked to the new Council Plan's priorities. The proposed projects were considered and approved by the Council in June 2023. The council has committed to regular monitoring of the projects to ensure transparency with its investment decisions.

The council has in place medium and longer-term financial plans

100. Multi-year allocations were not included in the Scottish Government's 2023/24 budget. As such, the funding position beyond 2023/24 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst we recognise that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer-term, the development of financial plans is necessary to help councils plan for and deliver better outcomes and to address inequalities.

101. The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 was updated in November 2022. It aims to provide clear direction on how the council will deploy its financial resources to achieve council priorities. The plan provides a picture of the likely challenges to be faced in the coming years. This should help to focus attention and inform decisions on areas of priority and non-priority spend for the council. The plan considers a range of scenarios and assesses the impact of known pressures on the council's finances, such as inflation, the challenging economic climate, and estimated changes to funding.

102. The plan outlined an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26 ([exhibit 6](#)).

Exhibit 6

MTFP - budget gap 2023/24 - 2025/26

Scenario	2023/24 £'million	2024/25 £'million	2025/26 £'million	Cumulative three-year total £'million
Best case	10.0	11.0	7.7	28.7
Mid case	14.7	13.1	10.0	37.8
Worst case	20.5	17.2	11.8	49.5

Source: Medium-Term Financial Plan Update November 2022

103. As part of the 2023/24 budget setting, the council provided an indicative scenario-based revenue budget for 2024/25. The position reported indicated a potential funding gap of between £7.5 million and £22.2 million. Whilst the best-case budget gap scenario (£7.5 million) is an improvement on the position reported in the MTFP ([exhibit 6](#)), both the mid (£15.2 million) and worst (£22.2 million) cases show a worsening budget gap position. Inflation, ongoing pay discussions and future funding settlements all contribute to the uncertainties in financial planning. The council also points out that efficiencies have to be delivered from non-ring-fenced services which they estimate are now only 33% of the overall budget.

104. The MTFP links to the council's Long-Term Financial Outlook (LTFO) 2022-23 to 2031-32, approved in October 2021 and reflects the known factors affecting the financial sustainability of the council over the longer-term. The mid-case cumulative 10-year gap outlined in the LTFO totals £107.6 million, with best (£36.2 million) and worst (£171.5 million) case budget gaps also identified.

105. The LTFO outlines priority areas of change which need to be addressed over the medium-term to support the council's sustainability for future years, including:

- Change programme – progress the refreshed transformational change activity programme to redesign services.
- Future operating model – consider lessons learned from the pandemic to find better ways of working to deliver sustainable savings.
- Dis-invest in non-priority service areas.
- Digital technology.
- Reduce council asset base, including disposing of surplus assets.
- Workforce planning.

106. While the budget gaps are challenging, the council has a proven track record in achieving savings, delivering just under £77 million in the period from 2011/12 to 2021/22 (including HSCP savings).

An updated financial plan is to be discussed with members towards the end of 2023. This should be aligned with the priorities set out in the new Council Plan

107. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about the scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important. The council is due to present its updated financial plan to members towards the end of 2023.

108. The Convention of Scottish Local Authorities (COSLA) and the Scottish Government (SG) have agreed the New Deal, or [Verity House Agreement](#). It is based on three shared priorities: tackling poverty; just transition to net zero; and sustainable public services. The SG and COSLA will work together on engagement on budget planning, a fiscal framework, programmes of activities and a review of local government grant funding. SG and local government will also agree a monitoring and accountability framework.

109. The council has committed to updating its financial plans in line with the financial environment it is operating in at the time alongside its strategic priorities. These updates should include any developments from the Verity House Agreement. This will ensure a cohesive approach to the delivery of services and outcomes for citizens.

110. The council has set a balanced budget for 2023/24, holds unearmarked reserves at a level consistent with its financial strategy and has a history of effective financial management. Whilst significant financial challenges remain, we are of the view that the council is financially sustainable.

The council's strategic change programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish expected cashable benefits and baseline activity for most of the 14 projects in the programme

111. The 2021 BVAR said that relative to other council's, South Ayrshire's approach to transformation had been slow and inconsistent, lacking drive and urgency. The number of projects in the scope had increased from 22 at launch in June 2021 to 35 by January 2023. The council has since refocussed the programme in June 2023 to 14 projects. Prior to the refocus, the council had progressed, to the final stage of the process, eight projects with an estimated cashable benefit of around £0.545 million.

112. The 2023/24 budget set a savings target of £0.200 million for the projects in the refocussed programme. Most of the projects are at the planning stage, so these do not have forecasted cashable savings assigned to them yet. Further prioritisation of the projects may follow once this is done. To date, £0.032 million (16%) of the 2023/24 target has been achieved.

113. The council has committed to bi-annual reporting to its Service and Partnerships Performance Panel to ensure scrutiny of the programme and its activity. Additionally, programme updates are subject to review by officers on the Strategic Change Executive. We will monitor the council's progress with its revised programme.

114. The 2021 BVAR recommended that the council needed to assure itself that it had the capacity and skills required to increase its pace of transformation. A corporate restructure in September 2022 led to the recruitment of an additional Director with responsibility for strategic change together with strategic change being a focus of all the council's Assistant Directors.

115. The Strategic Change Programme Office was resourced, on a full-time basis, by a Project Implementation Coordinator and four Project Officers. One of the Project Officers secured a promoted post elsewhere in the council in January 2023. The 2023/24 budget included a service review with an associated savings requirement of £0.100 million for the Strategic Change Team. This has impacted on the filling of this vacancy, with this post put forward as a permanent reduction in staffing to contribute to this saving target. The introduction of the savings target for the team means a change in focus in how projects are developed and delivered. Combined with the reduction in staff, there was a need to review the projects on the programme to ensure that the team is best positioned to deliver on its new target of 14 projects. The council should ensure these cost savings do not impede the progress of its refocussed transformation programme.

116. As we have detailed elsewhere in this report, the council has made progress in a number of the priority areas set out in the LTFO but given the projected challenging financial environment, the pace of improvement still needs to increase. It is more important than ever that there is effective leadership, from both senior officers and elected members at the council, to

drive at pace, the transformational change needed to ensure its sustainability into the longer-term.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

Following the May 2022 local government elections, the council has a new administration.

The council approved a new council structure in September 2022. The revised structure aims to provide clear leadership across the organisation and support the council in delivering its strategic priorities.

The council approved changes to its political decision-making structure in March 2023.

Appropriate governance and decision-making arrangements are in place at the council.

Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes but it is unclear how progress will be measured.

Following the May 2022 local government elections, the council has a new administration

117. Following the local government elections in May 2022, 28 members representing the eight multi-member wards were elected across South Ayrshire. This includes 9 new members and 8 new portfolio holders, some whom had not been members before. The political composition is as follows:

- Conservative - 10
- Labour - 5
- Independent - 4
- Scottish National Party - 9.

118. In May 2022, at the first meeting of the new council, a Conservative - Independent administration was put in place succeeding the previous Labour-Independent-Scottish National Party administration who led the council in the preceding five years.

The council approved a new council structure in September 2022. The revised structure aims to provide clear leadership across the organisation and support the council in delivering its strategic priorities

119. The council's 2021 BVAR recommended that 'the council should assure itself that it has the capacity and skills required to increase its pace of improvement in key aspects of Best Value, such as community planning and empowerment, financial and workforce planning, and transformation.'

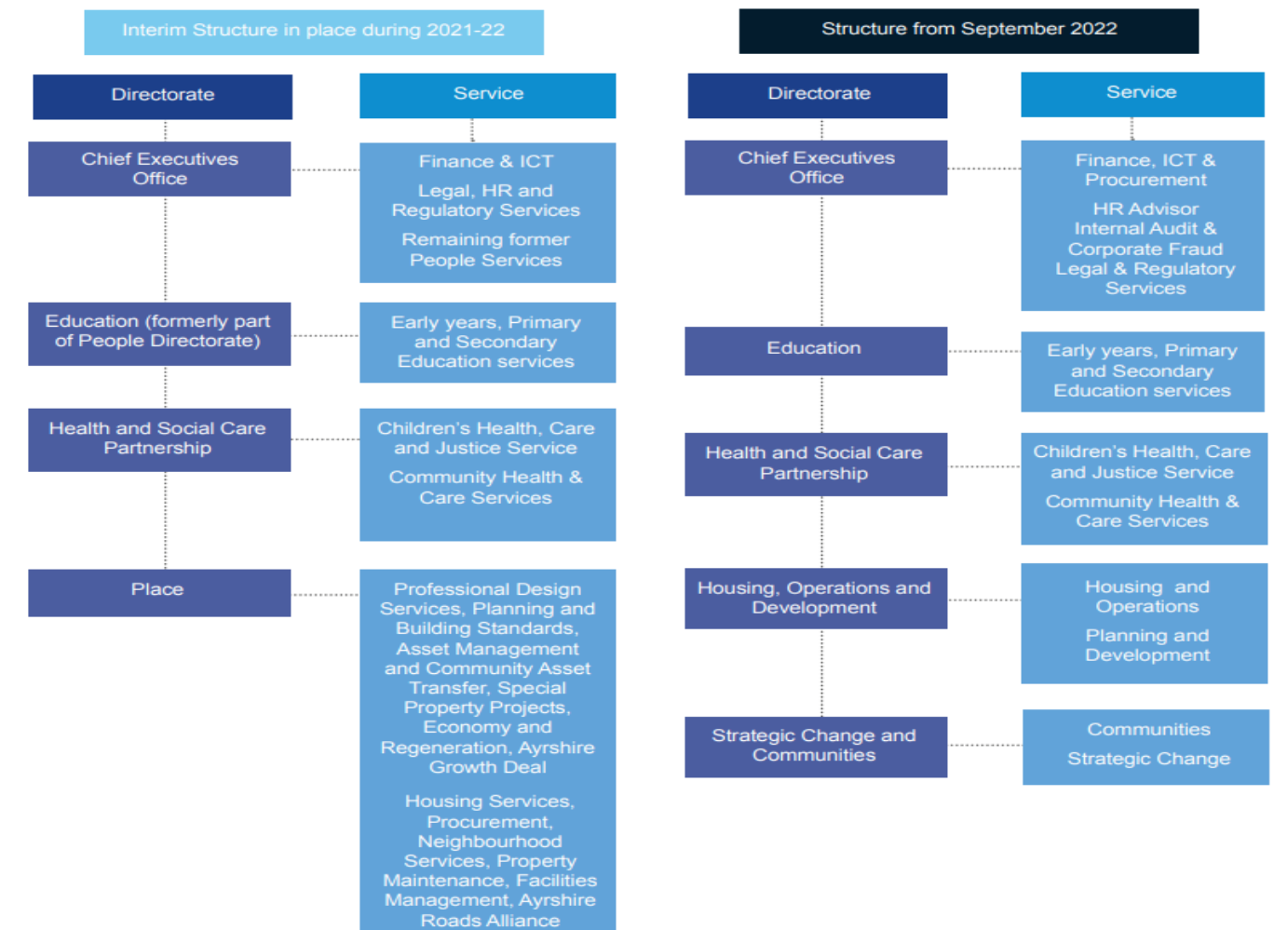
120. In response to this, the Chief Executive was tasked with bringing forward structural revisions that better reflect the current challenges and priorities of the council. Proposals were developed by the Chief Executive in November 2021 to split the Depute Chief Executive/ Director of Education role into 2 posts. The Director of Education post was created and decisions on other post delayed until after the May 2022 election. This reduced the leadership capacity until a revised council structure was approved in September 2022 ([exhibit 7](#)).

121. The revised structure includes an additional Director with responsibility for Strategic Change and Communities and incorporates revisions to the remits of Assistant Directors to include a focus on Strategic Change and to bring together Housing Operations and Policy. An Assistant Director of Education is also included. These changes are designed to free up strategic capacity within the Corporate Leadership Team and build overall capacity within senior leadership.

122. All posts requiring an appointment were filled by December 2022. As at September 2023 there are no vacancies in the Corporate Leadership Team. The current Chief Executive is retiring in the autumn. Following a recruitment and selection process the council's current Depute Chief Executive and Director of Housing, Operations and Development will be the new Chief Executive from November 2023.

123. Over the course of our audit appointment, we will monitor the effectiveness of this revised structure as it is vital the council sustains its leadership capacity to achieve its objectives and drive change at the pace needed.

Exhibit 7 Revised council structure



Source: South Ayrshire Council Annual Accounts 2021/22

The council approved changes to its political decision-making structure in March 2023

124. At the 1 March 2023 meeting of the council, the administration proposed changes to the council's political decision-making structure and working groups. The following changes were proposed:

- Cabinet: creation of an additional Portfolio Holder for Developing South Ayrshire with oversight of future developments and special projects - Independent Member.
- merger of the Service and Performance and Partnerships Panels - Chair (Labour Group) and increase membership to eight elected members including Chair.

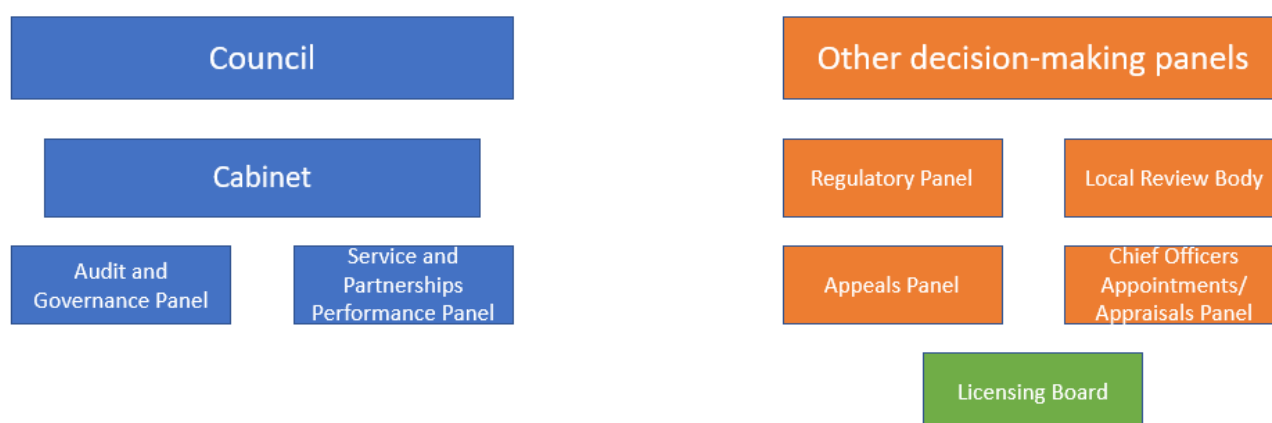
- membership of the new Service and Partnerships Performance Panel, to comprise members as follows: Labour (1), SNP (4) and Conservative (3).

125. Prior to proposing these recommendations, officers were asked by the administration to seek legal advice from King’s Counsel (KC). This advice confirmed that where the decisions on the above recommendations, which relate to the changes to the political decision-making structure or composition of working groups, resulted in a tied vote, then the decision would be decided by the Provost’s casting vote. The KC confirmed this was in accordance with the council’s standing orders.

126. The above recommendations were agreed after a split vote of 14-14, decided by the Provost’s casting vote. Following the approval of the recommendations the council has a new political decision-making structure ([exhibit 8](#)).

Exhibit 8

Political decision-making structure from 1 March 2023



Source: South Ayrshire Council

127. The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a “Call In” for further scrutiny to the Audit and Governance Panel. Therefore, the quality of the Audit and Governance Panel is key to ensuring effective scrutiny of decisions. From our attendance at, and observation of, meetings of the Audit and Governance Panel, members understand their role, provide sufficient scrutiny and effective challenge is exercised.

128. It is for councils to decide on the design of their scrutiny arrangements. From our review of a sample of other local authorities, having two scrutiny panels is not considered unusual. What is key is that the arrangements should be such that the council’s leadership can be scrutinised and held to account for its plans and performance. The Panel’s bi-annual self-evaluation of its

performance is due for completion in September 2023. We will consider this as part of our 2023/24 audit.

Appropriate governance and decision-making arrangements are in place at the council

129. Members and management of the council are responsible for ensuring effective governance arrangements are in place, to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded. Effective governance arrangements also enable the council to monitor how effectively it is using its resources.

130. The council has a local code of corporate governance. The local code follows the seven principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016, with a further 21 sub-principles identified by the council to report against.

131. One of the Audit and Governance Panel's responsibilities is to undertake an annual review of council officers' self-assessment against the council's corporate governance framework. The most recent review (2022/23) identified that of the 21 sub-principles, 19 were effective and two were effective but some improvements were needed. The council has developed an action plan, with this disclosed in its 2022/23 Annual Governance Statement, to take forward these improvements into 2023/24.

Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes but it is unclear how progress will be measured

132. Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID.' The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

133. The council did not formally declare a climate emergency in 2019 when other councils in Scotland did. Instead, in October 2020, the council aligned itself with the Scottish Government's targets, adopting a 75% reduction in emissions target by 2030 (using 2014/15 as a baseline) and a target of net zero emissions by 2045. Like all public bodies in Scotland, the council is required to report annually on its compliance with its climate change duties. It reported in November 2022 that it had achieved a reduction in emissions of 36%.

134. Sustainability, climate change and biodiversity, together, is one of seven cross-cutting themes that the council plans to include in a new integrated impact assessment by September 2023. It is not yet clear, as this approach is still being developed, how progress on addressing climate change will be driven and how the integrated assessment will link with the council's Sustainable Development and Climate Change Strategy, due to be updated in 2024. The

council has committed to spending £450,000 on addressing climate change in 2023/24.

135. In the Accounts Commission's September 2022 briefing, [Scotland's councils' approach to addressing climate change](#), it was noted that plans should include greater clarity on how targets and timescales will be achieved. The reports also reaffirmed the important role that citizens will have and the need for strong partnership working. As a cross-cutting theme it is not clear how progress will be measured in the council.

136. In response to an audit recommendation in the BV thematic report, replicated in [Appendix 1](#) of this report, the council is to introduce a process to ensure its cross-cutting priorities are given the necessary consideration. Measures should be set for monitoring progress. In particular how the council will measure that it is reducing inequalities and addressing climate change should be laid out.

137. The council is introducing an impact assessment approach to ensure that addressing climate change is seen by elected members and officers as an integral part of everything it does and is part of everyone's job.

138. The council has acknowledged that the new integrated impact assessment approach will need to be resourced adequately to work well. The Accounts Commission's briefing on [Scotland's councils' approach to addressing climate change](#) recommended that councils should consider assessing whether they have sufficient capacity, skills, and knowledge to support effective decision-making on climate change and to implement the necessary actions. The council is planning to review how the climate change team is resourced and structured. As at September 2023, it had two unfilled posts.

The council is demonstrating good practice by setting a carbon budget

139. The Accounts Commission's briefing on [Scotland's councils' approach to addressing climate change](#) noted that the use of service level carbon budgets may be helpful for ensuring accountability and reducing emissions at service level.

140. In March 2023, the council approved its third carbon budget for the period 2023/24. The carbon budget sets carbon emission targets for each directorate within the council, with the aim of reducing these in line with its carbon emissions target reduction. The carbon budget for 2023/24 considers the spend and trajectory the council needs to be on to meet its targets, as well as the historic carbon emissions required by individual service areas for service delivery. A ten-year projection has also been issued to budget holders to allow them to plan for longer-term change projects and associated savings. Carbon budget information and how it can be developed is being considered as part of the refresh of the Sustainable Development and Climate Change Strategy.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The council's leadership recognise that the pace of improvement needs to increase. Plans to reintroduce a corporate approach to self-evaluation need to be progressed to support this.

The council's overall performance per national benchmarking shows an improving position over time. However, while 51% of national indicators are in the top two quartiles of councils, this has fallen from 57%, showing the rate of service improvement has slowed compared to others.

The council's leadership recognise that the pace of improvement needs to increase. Plans to reintroduce a corporate approach to self-evaluation need to be progressed to support this

141. The Best Value section of this report concludes that the council's performance arrangements need to improve to demonstrate how its activities are contributing to improved outcomes for citizens.

142. The Best Value: Revised Statutory Guidance 2020 sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. Key to the council demonstrating improved outcomes for citizens will be the reintroduction of a corporate approach to self-evaluation.

The council's overall performance, taken from national benchmarking data, shows an improving position year-on year

143. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. In analysing the LGBF data we recognise that local policy choices about council services and strategic priority areas will have an impact on the results.

144. The most recent [National Benchmarking Overview Report 2021/22](#) by the Improvement Service was published in March 2023. The results were considered by the council's Service and Partnerships Performance Panel in June 2023 along with council specific commentary on where improvement activity is planned or already underway. The information reported to members stated that:

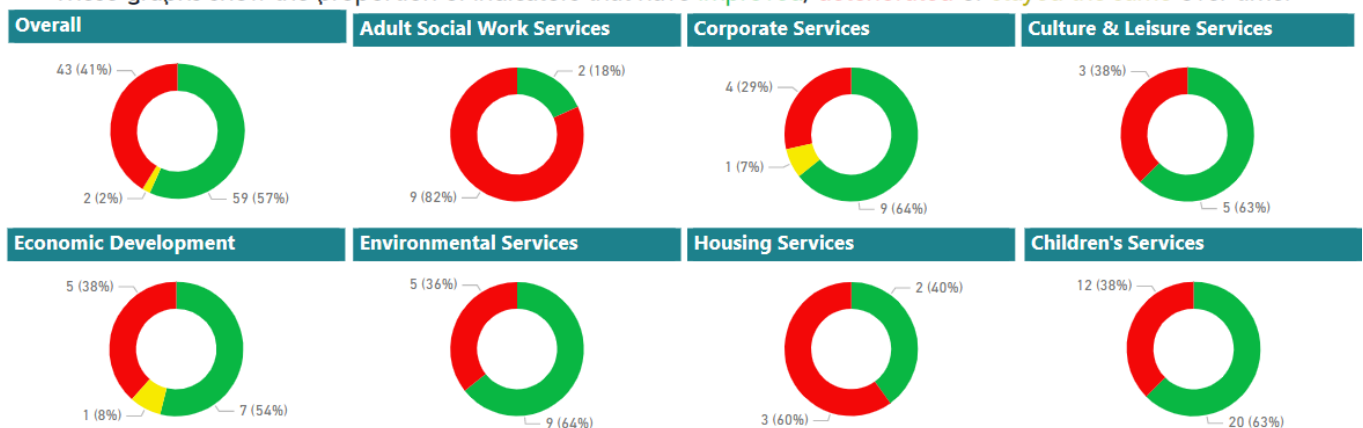
- 34% of the measures improved.
- 29% declined.
- 8% remained stable.
- 10% were not comparable.
- 16% had no data.
- 4% were new with only baseline data.

While 51% of national indicators are in the top two quartiles of councils, this has fallen from 57%, showing the rate of service improvement has slowed compared to others

145. [Exhibit 9](#) shows the council's 2021/22 performance across services when compared with the relevant data's base year. Based on the indicators within each service area, the council shows an overall improving position over time.

Exhibit 9 South Ayrshire Council LGBF results – trend since base year

These graphs show the proportion of indicators that have **improved**, **deteriorated** or **stayed the same** over time.



Source: Improvement Service – LGBF 2021/22

146. Of the 104 indicators reported in the 2021/22 LGBF data, 59 (57%) of these have improved for the council since the base year. However, the number of indicators in the top two quartiles has decreased from 57% in the base year

to 51% in 2021/22. These results indicate that whilst the council's overall performance year-on-year has improved, its performance has improved more slowly than other councils over this period.

147. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all the services they currently provide. This means that councils will need to make increasingly difficult choices about what their service and performance priorities are.

148. South Ayrshire Council should use the LGBF data alongside its engagement with its communities to assess its local performance and priorities. The performance of the council could also be compared with neighbouring or similar councils to assess the effectiveness of its investment in priority areas and to inform and identify where improvements and better outcomes for its communities can be achieved.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Accounting for Property, Plant and Equipment (PPE)</p> <p>We identified a number of issues in our testing of PPE.</p> <p>Risk: If the accounting for PPE is not improved future accounts could be materially misstated.</p>	<p>The council should undertake a thorough assessment of the fixed asset register to ensure its accuracy.</p> <p>Going forward, there should be clearer communication between Estates and Finance to ensure that necessary updates are reflected in the fixed asset register.</p> <p>Exhibit 2</p>	<p>Management response</p> <p>A review of the asset register is already underway and new protocols and procedures will be introduced to ensure its accuracy. Regular meetings are being planned between the Estates and Finance teams to maintain a clear route for communication of required changes.</p> <p>Responsible Officer</p> <p>Head of Finance, ICT and Procurement and Service Lead – Asset Management and Community Asset Transfer.</p> <p>Actioned by</p> <p>30 June 2024.</p>
<p>2. Matrix approach for revaluations</p> <p>We identified several assets which have not been revalued in over 5 years, in line with the council's 5-year rolling programme.</p> <p>The current approach to revaluations can also lead to uneven valuation movements arising each year.</p>	<p>The council should consider a matrix approach to valuations whereby a percentage of each class of asset is revalued each year. The council should ensure that all assets are included in this future programme.</p> <p>Paragraph 30</p>	<p>Management response</p> <p>Discussions have already taken place between Estates and Finance teams with the aim of moving the revaluation methodology to a matrix approach for 2023/24 and beyond. Further work on this will continue in advance of the 2023/24 year end.</p> <p>Responsible Officer</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk: The valuation of assets included in the accounts could be materially misstated.</p>		<p>Head of Finance, ICT and Procurement and Service Lead – Asset Management and Community Asset Transfer.</p> <p>Actioned by 30 June 2024.</p>
<p>3. Control improvement: journal authorisation</p> <p>Some staff can approve their own journals.</p> <p>Risk: Invalid, erroneous or fraudulent journals could be posted to the financial ledger.</p>	<p>Each journal should be prepared and authorised by different members of staff.</p> <p>Paragraph 85</p>	<p>Management response</p> <p>Journal authorisation limits had been set within Oracle to account for risk, the experience of staff and availability of resources. The current protocols in place ensure that no staff member below Finance Officer can authorise journals. For Finance Officers and above the system has authorisation value limits built in to ensure that once a certain value is reached the journal is automatically routed to a more senior officer for authorisation. The risk of posting invalid or erroneous journals is considered low and is therefore acceptable to Service Management.</p> <p>No further action is proposed</p>
<p>4. Control improvement: payroll validation</p> <p>There is currently no payroll validation exercise in place to confirm that only current employees are getting paid.</p> <p>Risk: Payments are made to individuals not in the employment of the council.</p>	<p>The council should ensure formal procedures are in place to validate staff on the payroll.</p> <p>Paragraph 85</p>	<p>Management response</p> <p>An annual rolling programme will be implemented and undertaken by the HR team. Oracle Fusion introduced an automated task for managers to confirm when an employee does not commence employment to ensure they are not set up on the payroll system.</p> <p>Officers will consider if staff validation can be automated via Oracle Fusion.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Responsible Officer Chief HR Adviser.</p> <p>Actioned by 31 March 2024.</p>

2022/23 recommendations from the [BV thematic report](#)

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Effective and timely performance reporting</p> <p>The council failed to effectively measure its performance against targets for the priorities in the Council Plan to March 2023.</p> <p>To help support challenge of services and focus of improvement actions, regular reporting of performance to elected members against the new council priorities is key.</p> <p>A framework is due to be discussed with members in June.</p>	<p>A balanced view of progress against the council plan priorities should be reported regularly to members.</p> <p>The accuracy of performance information provided to members should be checked.</p> <p>A timetable for performance reporting to elected members should be a priority.</p> <p>Performance reports should include details or links to planned improvement actions.</p> <p>The council should ensure it fully complies with the new Statutory Performance Information Direction.</p>	<p>Management response</p> <p>New Council Plan reporting format for Council Leadership Team reports and Service and Partnerships Performance Panel reports included in Performance Management Framework report to June Cabinet.</p> <p>Officers will review new reporting format to ensure that it reflects the Accounts Commission's Statutory Performance Information Direction.</p> <p>Responsible Officer Service Lead - Performance, Policy and Community Planning.</p> <p>Actioned by 30 August 2023.</p>
<p>2. Place Plans</p> <p>The Community Empowerment (Scotland) Act 2015 requires the publication of 'place plans'. These were to be in place by October 2017.</p> <p>The council has adopted a place-based approach to its new Council Plan. It has</p>	<p>To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans.</p>	<p>Management response</p> <p>Ongoing dialogue with elected members on the details of the Place Plans can be used to advance place-based activity.</p> <p>Actioned by March 2024.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>engaged with its communities and has identified local priorities. Due to resource pressures, to date only two Place Plans have been approved by members and published.</p>		<p>Further work is required to align Place Plan development with localities and advance participatory budgeting approaches to place via Community Planning</p> <p>Long term ambitions linked with Community Plan for 23/28.</p> <p>A restructured Regeneration team needs considered through our Economy and Regeneration Service, through which, joint work supporting a refresh of older place plans should be advanced. New structure anticipated December 2024, with ongoing Place work over new Council Plan 23/28.</p> <p>Recruitment is underway for an officer within Thriving Communities to deliver remaining Place Plans. In addition, methodologies for Local Place Plans are being progressed by Planning, in coordination with Thriving Communities and Economy & Regeneration Services.</p> <p>Responsible Officer</p> <p>Assistant Director - Communities.</p> <p>Actioned by</p> <p>31 December 2023.</p>
<p>3. Council Plan – cross cutting impact assessment</p> <p>In the Council Plan there are several cross-cutting themes, one of which is equalities. These themes are to be considered when decisions are made. A new Impact Assessment approach is</p>	<p>There should be a clear process introduced that is sufficiently resourced to ensure these cross-cutting priorities are given the necessary consideration.</p> <p>Measures should be set for monitoring progress for cross cutting themes. In particular</p>	<p>Management response</p> <p>Officers continue to develop Integrated Impact Assessment Tool including clear proposals for reporting and analysis. A report will be submitted to Cabinet for approval.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>under development to assist with this.</p> <p>The approach is still to be determined and it is not clear how the council will measure its success in these priority areas.</p>	<p>how the council will measure that it is reducing inequalities and addressing climate change should be laid out.</p>	<p>Responsible Officer</p> <p>Service Lead - Performance, Policy and Community Planning.</p> <p>Actioned by</p> <p>30 September 2023.</p>
<p>4. Approach to self-evaluation of performance</p> <p>There has been a gap in the council's self-evaluation of service performance at the council since the Covid-19 pandemic.</p> <p>The council need to do more to challenge how services are delivered.</p>	<p>The plans to reintroduce a corporate approach to self-evaluation need to be progressed.</p> <p>The council's self-evaluation should include an understanding of its performance in relation to other councils.</p>	<p>Management response</p> <p>Officers and members will re-establish approaches to self-evaluation across the council using How Good Is Our Council (HGIOC) to develop a framework to support ongoing evaluation for improvement.</p> <p>Responsible Officer</p> <p>Service Lead - Performance, Policy and Community Planning.</p> <p>Actioned by</p> <p>31 December 2023.</p>

Follow-up of prior year recommendations

Issue/risk	Agreed management action/timing
<p>b/f 1. PPE valuations</p> <p>The property valuer should introduce as part of the annual valuations, similar to the exercise carried out as part of the audit to documentation their consideration of those assets not subject to valuation in the year to demonstrate that the carrying amount does not differ significantly from the current value.</p>	<p>Closed</p> <p>The councils in house valuers have considered those assets not subject to valuation in the year. Where required, they have adjusted asset values that have exceeded the council's set materiality threshold.</p>

Issue/risk	Agreed management action/timing
<p>b/f 2. Infrastructure assets</p> <p>The Council should revisit its useful economic (UEL) life policy to consider whether alternative UEL's should be set for different types of assets.</p>	<p>Closed</p> <p>This is a national issue which will not be resolved for a number of years. Once further guidance emerges, we will work with the council to address this matter this.</p>

South Ayrshire Council

2022/23 Annual Audit Report

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Annual Accounts 2022-23



South Ayrshire Council 2022-23 Annual Accounts

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Section 1: Management Commentary



Welcome to South Ayrshire Council's Annual Accounts for the financial year ended 31 March 2023.

These accounts will provide you with important and helpful information about our financial management and performance in the financial year 2022-23.

South Ayrshire is rich in heritage, with welcoming people, beautiful scenery and has a wide range of attractions suitable for all ages. The area is home to over 112,000 people, and encompasses the towns of Troon, Prestwick, Ayr, Maybole and Girvan, and their surrounding villages.

South Ayrshire Council is the main provider of essential services and facilities in the area. Our dedicated and hardworking staff go above and beyond to make a difference every day and ensure that we provide high-quality services that meet the needs of our residents.

We recently launched a new Council Plan 2023-28, which outlines our key priorities, objectives and ambitions for the next five years. We have strong ambitions for an economic and sustainable future where people choose South Ayrshire as a place to live, work, visit, and invest in, and the plan sets out how we will achieve this.

Councillor Martin Dowey, Leader of South Ayrshire Council.

Our Key Achievements of 2022-23 include:

- We pride ourselves on our fantastic school facilities. The brand-new Prestwick North Education Campus and Sacred Heart Primary schools both opened their doors to pupils last year; work at the new £50 million Maybole Community Campus is progressing well and is on track to open later this year; and ground was broken at the new Struthers Early Years Centre in Troon.



- Ayr Grammar Primary School, it's associated Early Years Centre and the Archive and Registration Centre won 'Project of the Year' at the Learning Places Scotland Awards, which celebrate excellence in design and delivery of education projects across the whole of the country.
- For the second year in a row, we became one of the top local authorities in Scotland for school leavers. 98.3% of our young people move on to positive destinations, and with the Scottish average at 95.5%, this is an outstanding achievement.
- We continued to support local businesses to thrive with our involvement in the Scotland Loves Local South Ayrshire gift card scheme, encouraging the public to purchase cards to keep their spend local and boost our economy.
- We launched our 'Destination South Ayrshire' app, which showcases everything the region has to offer, from long sandy beaches and market towns to world-class golf, and award-winning local food and produce.
- We continued our investment and involvement in projects such as the Ayrshire Growth Deal and Maybole Regeneration Project.

- Ayr, Maidens, Prestwick, Girvan and Troon South Beach all became winners of the prestigious Scotland's Beach Award earlier in the year - recognised for their fantastic amenities, including being clean, well-managed and sustainable.
- Work began on the former Mainholm Academy and John Pollock Centre site to build 160 new affordable homes, showing our commitment to providing quality homes that meet the needs of tenants.
- We continued to provide opportunities for 16-24-year-olds in the area through jobs, apprenticeships, further and higher education, training programmes and volunteering;
- Our Property Maintenance and Neighbourhood Services teams achieved national recognition in the prestigious APSE Awards for the fantastic service they provide.
- Our Corporate Procurement Team gained national recognition at the recent National Procurement Go awards, having been selected as a finalist in two categories, Contract and Supplier Management 2022-23 and Digital Services Delivery 2022-23, winning in the Contract and Supplier Management category.
- The brand-new Riverside Sports Arena opened its doors to local sporting enthusiasts, and the gym at Prestwick Swimming Pool received a £0.300 million investment to expand the gym and refurbish the changing rooms and toilets.
- We set aside funding in our 2023-24 Budget to bring the brand-new International Ayr Show – Festival of Flight to Ayr shore front for the next five years.



- The new Cutty Sark Centre at the bottom of Ayr High Street was completed, encouraging footfall into the town centre. Work has also started on a ground-breaking new building in Girvan for Council staff that will set a new standard in energy performance.
- We've extended the trial Motorhome Parking Scheme in Troon and Ballantrae, following the successful implementation of permanent motorhome parking bays in Ayr and Girvan.
- We became the first Council in Scotland to partner with LitterLotto and environmental charity Keep Scotland Beautiful to help combat the growing issue of litter in our communities.

More information can be found by visiting our [website](#). We also regularly share information on our social media channels [Facebook](#), [Twitter](#) and [Instagram](#) and [LinkedIn](#).

Plans for 2023 and Beyond

Our Council Plan 2023-28 outlines the Council's priorities and objectives over the next five years.

The three overarching priorities of the plan are Spaces and Places; Live, Work, Learn; and Civic and Community Pride.

Under each of these priorities sit outcomes that outline what we want to achieve. These outcomes include a focus on quality education and lifelong learning; supporting local businesses; ensuring everyone has opportunities to take part in play, sport and recreation; and encouraging tourism and increased visitor numbers.

To tie in with the priorities of the Council Plan, we're also:

Investing £96 million
for the South Ayrshire Health and Social
Care Partnership, an increase of 3.4%



**Investing
£1 million**
into each
Council
ward area



Investing £5 million
in Belleisle and Darley golf
courses over the next four years



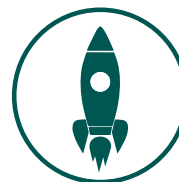
**Investing
£10 million**
in the Citadel
Leisure Centre



Committing £447 million
for Capital Investment
projects that will benefit
our communities over
the next 12 years



**Continuing the investment of
£88 million**
into the Ayrshire Growth Deal, with
a further £55 million of funding



**Investing
£3 million**
for Girvan
regeneration
projects



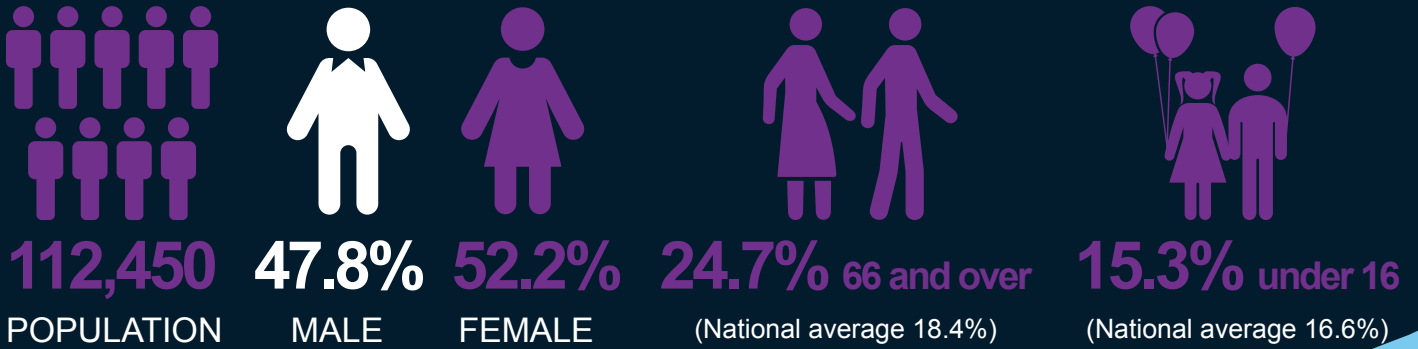
About South Ayrshire

By 2043, the South Ayrshire population is projected to be 105,191 – a decrease of 6.5% compared to the population in 2018. The population of Scotland as a whole is projected to increase by 2.5%.

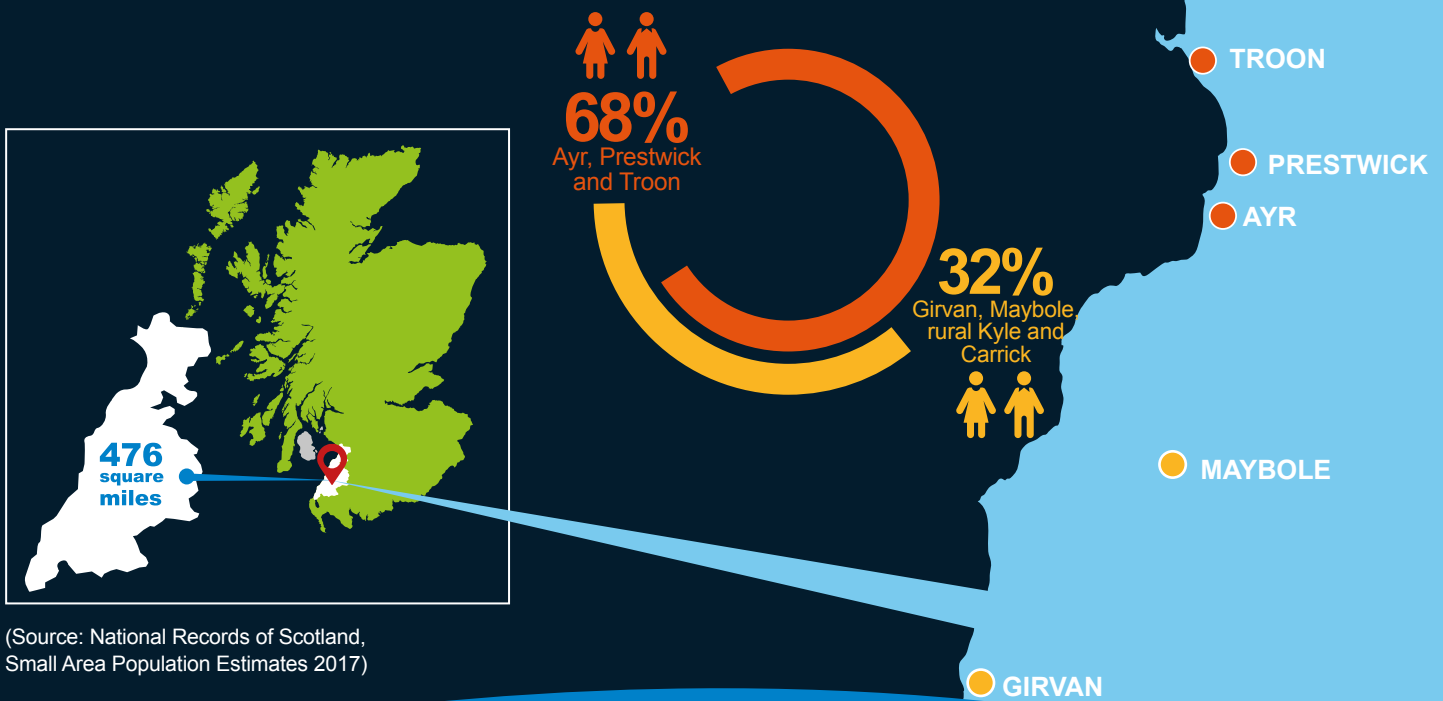
The projected change in South Ayrshire is not evenly spread across the different age groups. The number of children aged 0-15 years is projected to decrease by 17% and our working age population by 14%. The

pensionable age population is, however, projected to increase by 17% by 2043. More dramatically, the South Ayrshire population aged 75+ is projected to increase by 65% by 2043.

These anticipated changes to the population will have considerable consequences for the Council as it strives to ensure social, educational, housing and community services continue to meet the needs of the community.



(Source: National Records of Scotland, 2021 Mid-Year Population Estimates & 2018 Based Population Projections)



(Source: National Records of Scotland, Small Area Population Estimates 2017)

About The Council

Elected Members

CONSERVATIVE 10

SNP 9

LABOUR 5

INDEPENDENT 4



Staff

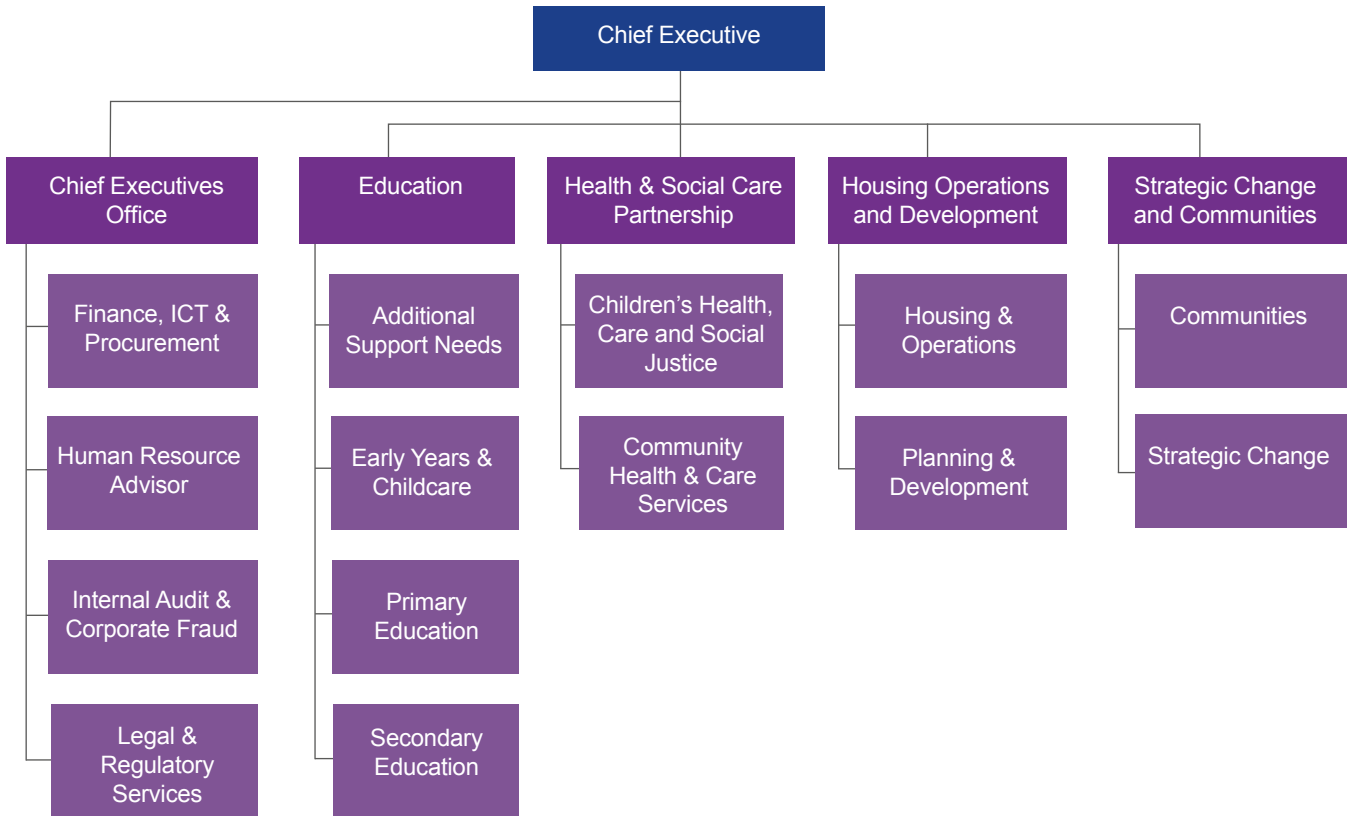


4,715 full-time equivalent
(as at 31 March 2023)

Our Council Structure

The 2021 Best Value Assurance report recommended that ‘the Council should assure itself that it has the capacity and skills required to increase its pace of improvement in key aspects of Best Value, such as community planning and empowerment, financial and workforce planning, and transformation’ and the Chief Executive was remitted to bring forward structural revisions which reflect the current challenges and priorities.

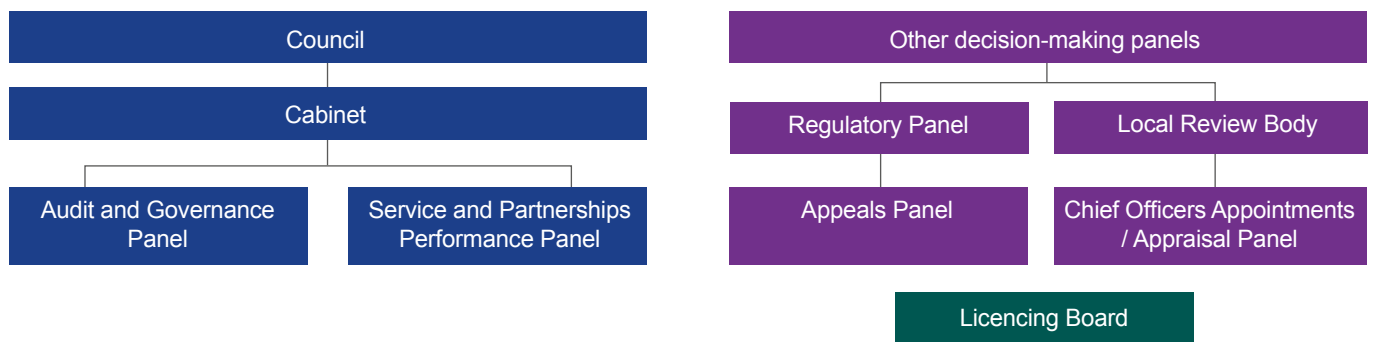
This process concluded with the approval of a revised Council structure at a Special Council in September 2022. The revised structure includes an additional Director with responsibility for Strategic Change and Communities and incorporates revisions to the remits of Assistant Directors to include a focus on Strategic Change and to bring together Housing Operations and Policy. An Assistant Director of Education is also included. These changes are designed to free up strategic capacity within the Corporate Leadership Team and build overall capacity within senior leadership. The structure is provided below and more detail can be found by [clicking here](#).



Political decision-making structure

The Council approved changes to its political decision making structure in March 2023 with the main changes being the creation of an additional Portfolio Holder for Developing South Ayrshire and the merger of the Service and Performance and Partnership Panels.

The Political decision-making structure is shown below.



The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a ‘Call In’ for further scrutiny to the Audit and Governance Panel.

Strategic Direction

A new 2023-28 Council Plan was developed during 2022-23 following the May 2022 local elections. The new Council Plan, approved in March 2023, sets out the council's vision 'to make a difference every day', its broad priorities and high level outcomes.

This Council plan was developed through a process of research and engagement and identifies key areas of focus over the next 5 years. Development of this plan has sought to recognise best practice and emerging innovative approaches throughout Scotland. The Council has engaged heavily with the Improvement Service and the priorities and outcomes identified below have been influenced by the Places and Wellbeing Outcomes, a joint initiative between Public Health Scotland and the Improvement Service, aimed at recognising the important effect our places have on the wellbeing of our communities and environment. Drawing on the principles recommended by the Christie Commission for the future of public services, our priorities are:

- preventative in nature
- drive collaboration between services and partners
- require the participation and meaningful involvement of those with local lived knowledge of their community.

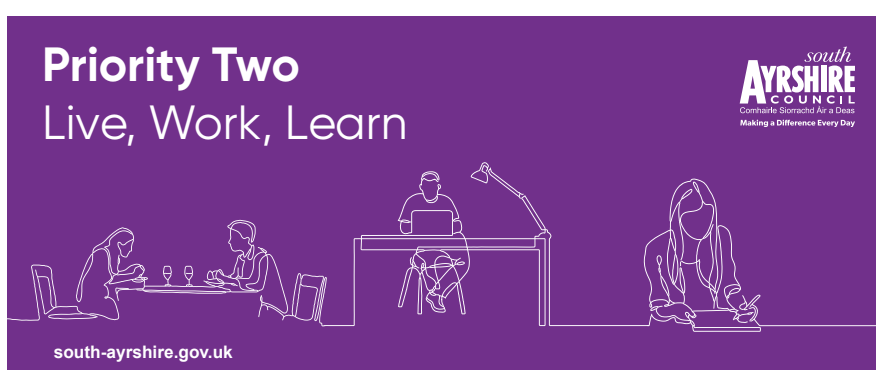
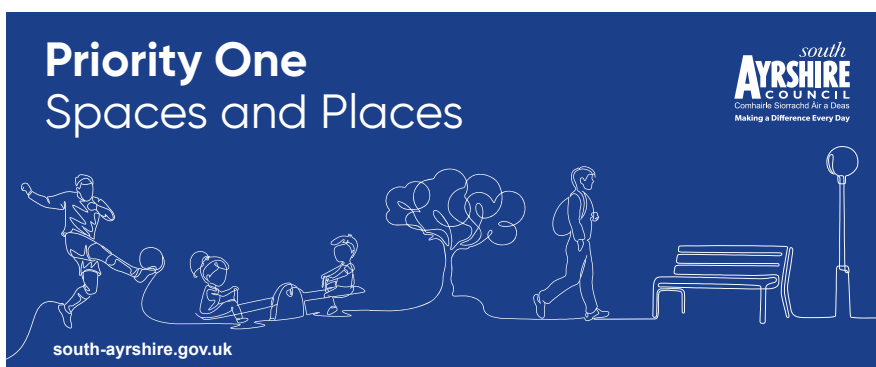
Alongside our priorities, the plan highlights cross-cutting strategic themes that will be considered in all our decision making, ensuring that collaboration is embedded in our everyday practice and our resources are used as efficiently and effectively as possible

The Council's priorities and outcomes place an emphasis on the connection between our places and the wellbeing of our communities and environment. The place-based approach recognises that every area has a different blend of physical, social, and economic characteristics that influence each other and aims to address complex

problems that no service alone can solve. The priorities provide a common framework, aimed at promoting a shared understanding that encourages services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities.

In June 2023 Council approved various operational Service Plans. The Service plans highlight the actions to be undertaken by services to achieve the Council's strategic objectives. The plans also draw out key actions that will be reported to members over the reporting period.

To coincide with the new Council and Service plans, an updated Performance Management Framework (PMF) has been developed. The PMF sets out the relationship between the Council Plan and the actions taken by service areas, teams and individuals to contribute towards advancing the Council's vision. The PMF also sets out the reporting regime for the new plan, with quarterly reports proposed to go to Service and Partnerships Performance Panel (SPPP) and Corporate Leadership Team on alternate quarters. The draft PMF was considered by Cabinet in June and the first reports to SPPP due in November.

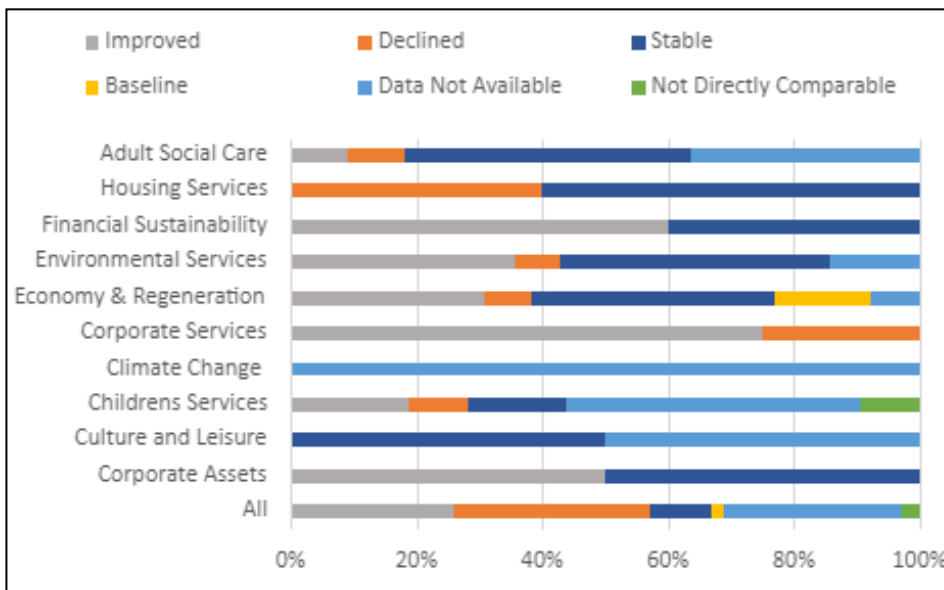


Performance against other Councils 2021-22

This analysis groups services as to whether they performed higher or lower than the average performance of all 32 Scottish Councils. The data is gathered by the Improvement Services who produce a National Benchmarking Overview report, the 2021-22 report, the latest published Local Government Benchmarking Framework information, can be accessed [here](#).

The data relating to 2021-22 in some cases has been impacted by the Covid-19 pandemic therefore many of the indicators cannot be directly compared with performance in previous years or with other councils. This also makes trend data not comparable. As such, this data should be treated with caution and is best accompanied with the narrative provided by managers and presented to the Service, Partnership and Performance Panel in June 2023.

Overall, the data suggests that 32% of the measures have improved (22% in 2020-21), 8% have remained stable (10% in 2020-21) and 27% have declined (39% in 2020-21), 10% were not comparable (10% in 2020-21), 20% have no data (17% in 2020-21) and 3% are new with only baseline data 2% in 2020-21):



The National Performance Framework sets out the Scottish Government’s aim to create a more successful country, give opportunities for all people living in Scotland, increase the wellbeing of people living in Scotland, create sustainable and inclusive growth and reduces inequalities and give equal importance to economic, environmental and social progress.

Reports are scrutinised by the Service, Partnership and Performance Panel, which has the ability to raise any areas of concern with Cabinet for further investigation.

The service areas where performance was among the best were pre school education, data shows an average cost of £10,270 per pre-school education place which is slightly below the Scottish average of £10,291. The spending in early years has risen in line with the policy for expanding and increasing the hours and choices for children and families. Early learning and childcare is consistently high quality and supports giving South Ayrshire children the best start. School leaver destinations with 98.6% of young people moving to positive destinations, placing us 2nd of the 32 local authorities.

The percentage of the Council’s procurement spent on local small/medium enterprises (SMEs) has risen consistently for the last 3 years with the 28.8% of expenditure going to SMEs in 2021-22, this is slightly lower than the national figure of 29.9%.

Percentage of unemployed people assisted into work from Council operated / funded Employability Programmes also shows an increase to 25.4% compared with 19.6% nationally and 19.6% pre-pandemic in 2019/20. The Council operated programmes target those most disadvantaged and furthest away from the labour market. The labour market was severely impacted by COVID in 2021-22 and those closest to the labour market were most likely to move into vacant posts, this resulted in few opportunities for our clients to progress.

During 2021-22 we responded quickly to the upturn in the labour market and through our COVID recovery interventions maximised opportunities to broker jobs for our clients through increased face to face support from key workers and through the introduction of an enhanced Employer Recruitment Incentive.

The services where performance was poorest included Adult Social Care where the number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+) has deteriorated following significant progress in 2020-21. The number of days increased from 886 in 2020-21 to 1365 in 2021-22, with the national average in 2021-22 being 748. This is related to significant workforce challenges during 2021-23 which at its worst, left a 30% vacancy rate for in house services.

In addition, Housing Services saw the average time taken to complete non-emergency repairs (SHR) increase from 4.8 days in 2020-21 to 8.1 days in 2021-22. This performance takes account of works orders raised in 2020-21, where work was delayed due to Covid-19 restrictions, and then completed during 2021-22. Performance reported during 2021-22 was not based on normal operating conditions and was not reflective of the normal level of non-emergency repairs reported in a year. South Ayrshire remains above the national average in this measure.

Financial Statements

The financial statements for 2022-23 and associated notes are set out on pages 40 to 81 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). The Significant Accounting Policies in Section 7 of the Accounts explains the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the Council's financial performance. An explanation of each of the financial statements which follow, and their purpose, is shown at the top of each statement.

Financial Strategy

Every Council in Scotland operates in a challenging economic climate and is faced with significant financial challenges due to the decreasing budgets and increasing demand for services. The Council's current Long Term Financial Outlook (LTFO), published in October 2021, covers the period 2022-2032 and, using a scenario-based planning approach, indicated a potential budget gap of between £36.2 million and £171.5 million over the ten-year period of the plan. Taking this longer-term approach enables the Council to give early consideration to forecasting pressures in later years and take a measured approach to addressing them. It will also provide greater flexibility in financial planning by establishing a robust framework for the role of reserves in supporting planned expenditure and also considering how these reserves will be replenished.

Alongside this LTFO, an updated Medium-Term Financial Plan (MTFP) was published in November 2022. The MTFP 2023-24 to 2025-26, using a scenario-based planning approach, indicated a potential budget gap of between £28.7 million and £49.5 million over the three-year period of the plan. The purpose of the MTFP is to provide a clear direction on how the Council will manage its financial resources in the short to medium term to ensure they are deployed effectively to achieve Council Priorities and objectives. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayer's funds. It is an integral part of the Council's financial framework and draws much of its supporting context and evidence from the LTFO. The LTFO and MTFP can be found [here](#):

The next update to the MTFP and LTFO is due in October 2023.

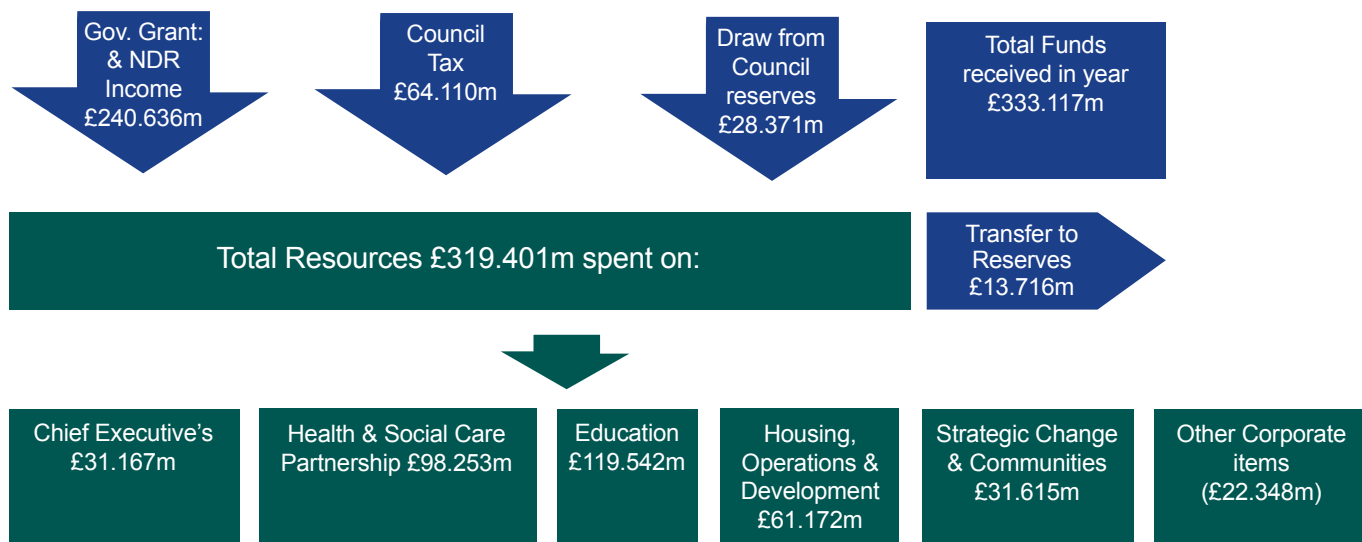
Financial Performance

Financial Performance Monitoring

Financial information is a key element of the Council's performance management framework with regular reporting to the Council's Cabinet. The Council's General Fund financial performance is presented in the Annual Accounts that follow this management commentary. The Comprehensive Income and Expenditure account Statement (CIES) on Page 40 sets out the Council's funding and spending in accordance with accounting requirements which is different to the way we report performance internally. The Expenditure and Funding Analysis (EFA) on page 45 provides the link between the budget management reports and the CIES.

General Fund Revenue

The General Fund is funded by Government Grant, Council Tax Revenues and draws from accumulated reserves. The analysis below shows how the resources were used during 2022-23.



The Councils contribution to the Health and Social Care Partnership (HSCP) included an additional £3.277 million in 2018-19 which was drawn down from reserves to offset an in year overspend. A repayment of £0.291 million was made in 2019-20 followed by further repayments of £1.092 million in both 2020-21 and 2021-22, with the final payment of £0.802m being repaid in 2022-23.

The performance of actual spend against budget for each Service area is shown in the table below with an explanation of the main variance also provided. Further detail on service out-turns can be found in the Budget Management report submitted to Cabinet on 20th June 2023 and can be found at [Committee Agendas, Papers and Minutes](#)

Outturn information 2022-23			
Directorate/Service	Revised Annual Budget	Actual outturn	Variance Favourable/(adverse)
	£m	£m	£m
Chief Executive's Office	32.568	31.167	1.401
Education	122.260	119.542	2.718
Housing, Operations and Development	62.405	61.172	1.233
Strategic Change and Communities	38.512	31.615	6.897
Social Care: Provision of Services	98.253	98.253	-
Other Corporate Items	(21.924)	(22.348)	0.424

The annual revised budget is the final budget at 31 March 2023 detailed in the budget management report submitted to Cabinet on the 20th of June 2023 following in year updates as a result of additional government funding allocations, budget movements and allocations from earmarked balances. This has also been updated for any audit adjustments. The initial 2022-23 revenue budget was approved by Council on 3 March 2022.

Chief Executive's Office: an underspend of £1.401 million which was primarily due to delays in filling vacant posts and underspends in ICT contracts.

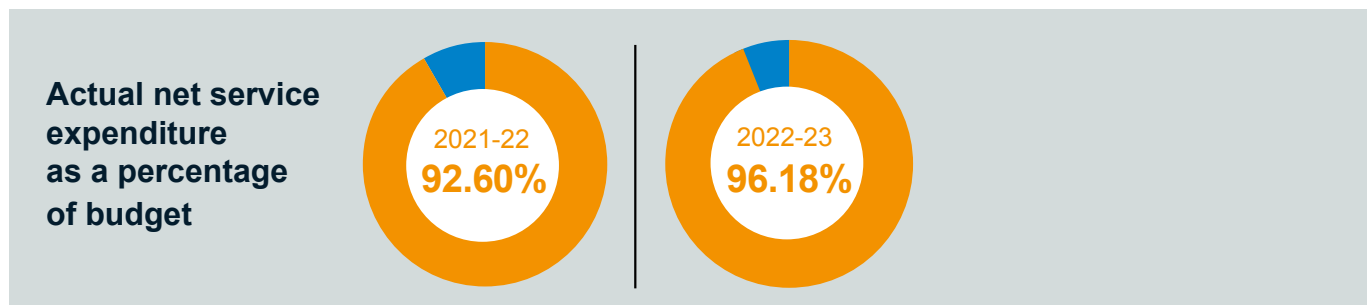
Education: an underspend of £2.718 million was due to delays in filling vacant posts and the timing of spend on multi-year programmes such as Early Learning and Childcare and Pupil Equity Fund. These monies will be carried into 2023-24. These underspends were offset to a certain extent by overspends on pupil transport costs.

Housing, Operations and Development: an underspend of £1.233 million mainly due to delays in filling vacant posts combined with underspends in various Housing policy project activity which will be carried forward in to 2023-24.

Strategic Change and Communities: an underspend of £6.897 million due to delays in filling vacant posts combined with over recoveries of income in leisure facilities and the receipt of grant income monies which are being carried in to 2023-24.

Social Care: on line after the transfer of the in year underspend of £2.945 million to the Integrated Joint Board accumulated reserves.

Other Corporate items: an underspend of £0.424 million due to a combination of an overspend in Loan Charges, reflecting higher interest rates being encountered on borrowing, offset by income received in 2022-23 in relation to the newly introduced statutory adjustment relating to the Councils three PPP contracts.



Covid-19 - Impact on General Fund Revenue

The overall risk of Covid-19, as well as financial risk to the Council, receded significantly in 2022-23 as the Country transitioned out of the crisis and through the recovery process. At the end of 2021-22 the Council brought forward Covid-19 specific reserves of £14.082m. A large proportion of these reserves were drawn down during 2022-23 to support recovery activity. The remaining balance held in the Covid-19 reserves is being carried forward to continue the recovery process in 2022-23.

South Ayrshire administered, on an agency basis, over £2.1 million (2021-22: £17.6 million) of business support grants to local businesses during 2022-23.

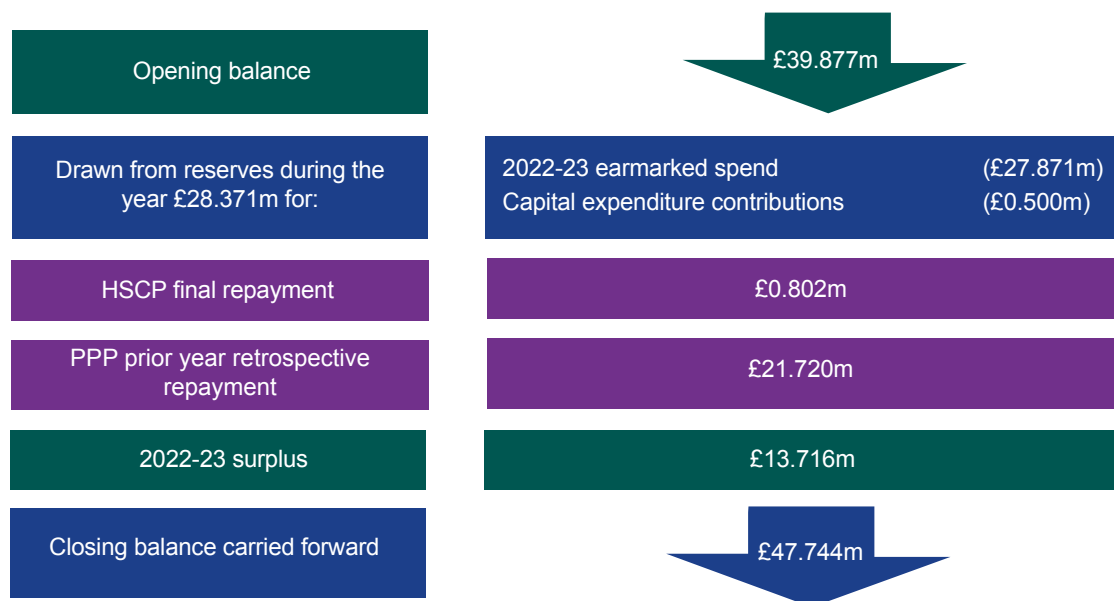
The financial impact on revenue budgets has been carefully monitored throughout the year with regular reports being presented to the Leadership Panel detailing the ongoing impact on Council finances.

The detailed impact on Council expenditure and income can be found in the 2022-23 Budget Management Out-turn report considered at the Cabinet meeting of 20 June 2023. this can be accessed at [Committee Agendas, Papers and Minutes](#).



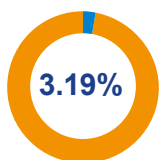
Accumulated General Fund Reserves

The Council holds General Fund balances to meet contingencies and for specific initiatives. Within the General Fund, certain balances are earmarked to be held for specific purposes—for example, efficiency and improvements or for workforce change purposes. The Council brought forward accumulated reserves of £39.877 million from 2021-22 and the movement during the year on this balance, agreed as part of the original 2022-23 budget and through decisions taken during the year, was as follows:

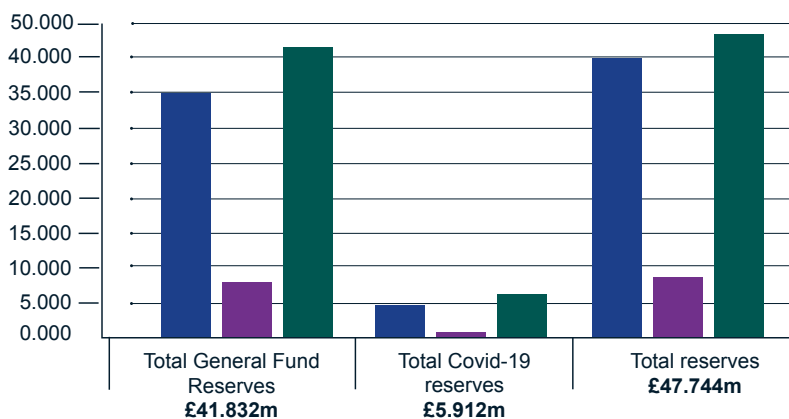


The chart below shows a breakdown of the £47.744m million accumulated reserves held at the end of 2022-23 between committed and uncommitted funds broken down in to General Fund and Covid-19 funds.

2022-23



Uncommitted funds as a percentage of annual budgeted expenditure



Further detail on the reserve balances held can be found in Note 6 on page 51 and in the 2022-23 General Service Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes](#)

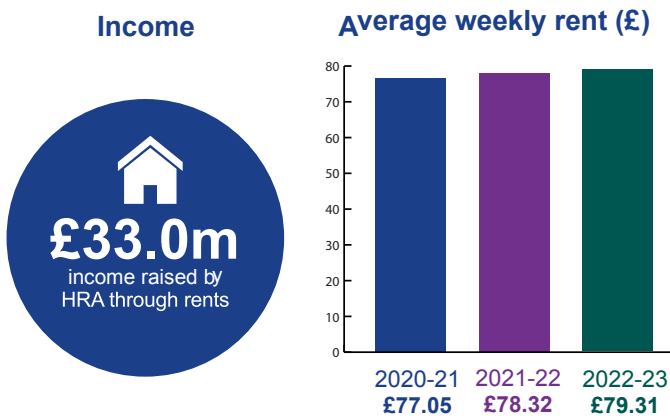
The South Ayrshire HSCP is holding its own reserves of £24.768 million, £7.850 million of general earmarking of funds for use in future years and £5.205 million of a general unallocated reserve. The reserves held by the partnership are not included with the Council's £47.744 million shown above.

The Council keeps its level of balances under review and, as per the approved Council Financial Strategy, aims to maintain an uncommitted balance of generally between 2% and 4%, but as a minimum at least 2% of annual running costs. Any balance in excess of this provides additional flexibility until used or earmarked by the Council. The Council plans to re-assess its level of reserves as part of its Financial planning processes during 2023-24.

Housing Revenue Account

In addition to Government funding, Non-Domestic Rates and Council Tax income, the Council also receives income each year from Council house rents. There is a legal requirement for Councils to maintain a Housing Revenue Account (HRA) – separate from all other Council services – for all housing stock held by the Council. All spending and income related to Council house rented accommodation must be included in the HRA.

This income can only be used to meet the costs of delivering a housing service for our tenants in South Ayrshire. This includes managing the housing service, day-to-day repairs and larger investment through the modernisation of our properties.

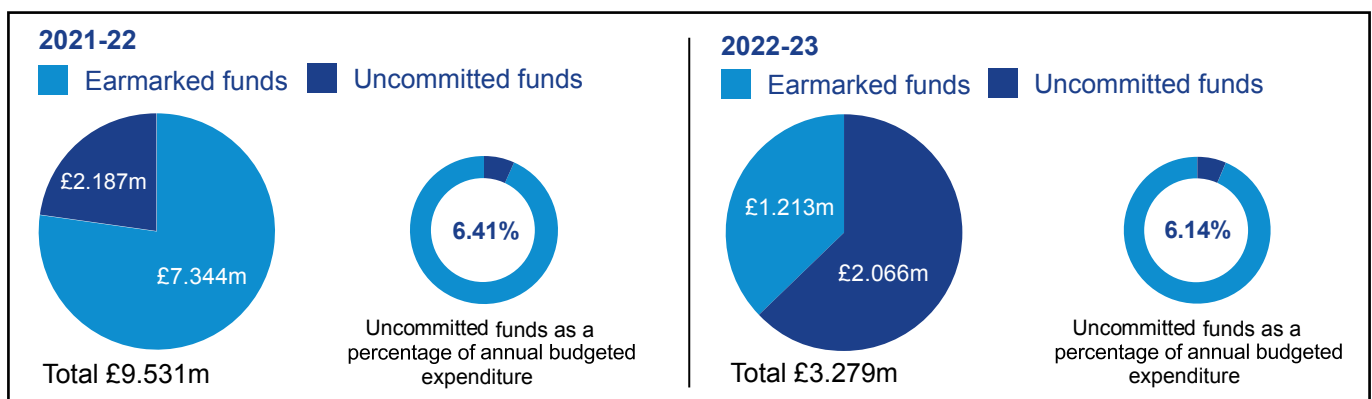


The Council continues to make ongoing capital investment in its' housing stock to improve and maintain properties in line with the Scottish Housing Quality Standard and the Energy Efficiency Standards for Social Housing. Levels of investment are informed through assumptions contained in the Housing Revenue Account (HRA) Business Plan and the HRA Capital and Revenue budget is approved annually by Council, taking account of identified investment and the approved Strategic Housing Investment Plan. In Late 2020, the Council carried out a rent setting consultation with tenants and in January 2021, the Council approved a rent increase of 1.5% each year for the 3-year period from 2021-22 to 2023-24. A review of the HRA Business Plan will be

undertaken during 2023-24 and further consultation will take place with tenants during late 2023 on rent setting options to allow the Council to take a decision on future rent setting for 2024-25 onwards.

In 2022-23, gross rent arrears were £1.396 million which was 4.32% of the rent due in the reporting year. This was an increase on £1.242 million (3.92%) in 2022-23. Despite the increase of £0.154 million, the Council's performance remains strong in comparison to other Scottish Local Authorities. During 2022-23, the recovery of income and provision of support to households has remained challenging, as many households are experiencing cost of living hardship. The Council has continued to manage rent arrears, taking account of the relevant legislation and associated restrictions on legal action for recovery. In 2022-23 the Council has continued to utilise the Scottish Government's Tenants Hardship Grant which was extended in September 2022 to include 'cost of living hardship'. The Council identified tenants who were eligible for support and assisted 13 council tenants with awards totalling £0.019 million. In addition to this grant, the Council approved the sum of £0.120 million to support tenants in hardship to sustain their tenancy and prevent homelessness. A total of 76 tenants have been assisted with awards totalling £0.086 million.

The management of rent arrears and recovery of rental income is an area that is closely scrutinised within the Housing Service, and Officers continue to actively reach out to households at early stages to provide advice, information, and support to tenants in managing their ongoing rent obligations and making affordable repayment arrangements for arrears.

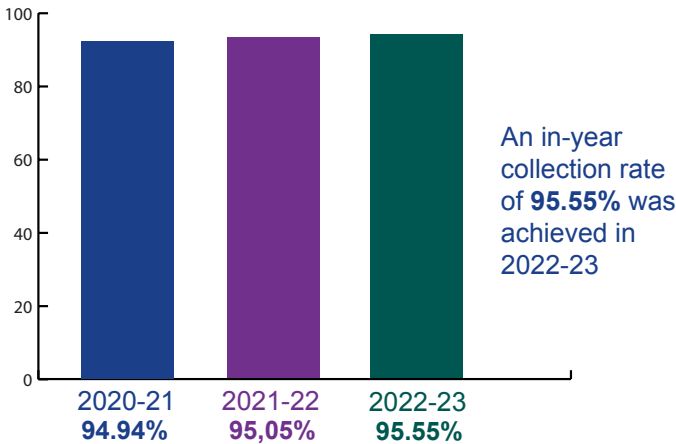


Earmarked reserves have reduced during 2022-23 mainly due to the draw down of funds to support capital investment previously approved for that purpose.

Further detail on the uncommitted balances held can be found in the 2022-23 HRA Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes](#).

Council Tax Collections

In-year Collection Rate (%)

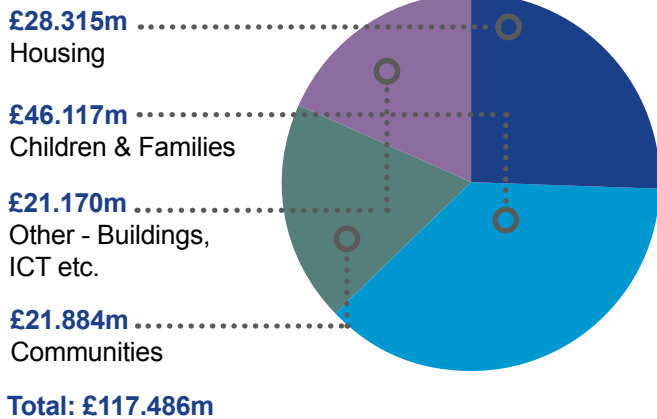


Actual Council Tax collected during 2022-23. This equated to **19%** of the overall funding required to meet net expenditure for the year 2022-23 £64.110m or 19%.

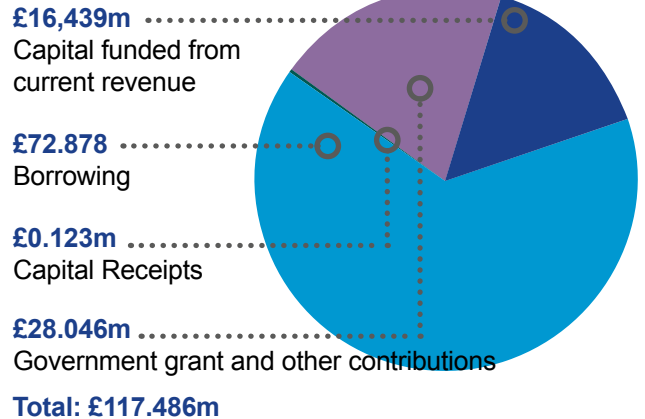
Capital Expenditure and Income

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability and sustainability. The Council continued to make significant capital investment in schools, roads, leisure, ICT, housing and other capital projects during 2022-23 and spent in total £117.486 million during the year. The funding of this spend was financed through government grants and other contributions, capital receipts from the sale of assets, capital financed from current revenue sources and borrowing. The charts below show the breakdown of both spend and financing of the programme.

Expenditure



Income



Capital Investment 2022-23

During 2022-23, the construction market has returned to more normal levels in terms of productivity and workflow, however, there continues to be challenges in several key areas including: inflation, very high utility costs, the impact of Brexit and, to a lesser extent, Covid-19.

These challenges are resulting in higher works costs. There is a skilled labour shortage, and a skills gap, as many operatives left the sector during the Covid-19 lock down periods and have not returned. There is also a scarcity of materials which impacts on programmes.

The conflict in Ukraine continues to impact on component availability, for example, large items of plant such as air handling units and fans are mainly manufactured in Ukraine.

There is also an additional focus on sustainability with a growing awareness of the need to reduce our carbon footprint and the impact of climate change. Adopting sustainable practices does have an overall positive impact, however, the introduction of new methods of construction and technology do place additional pressure on the construction industry still in recovery from Brexit and Covid-19.

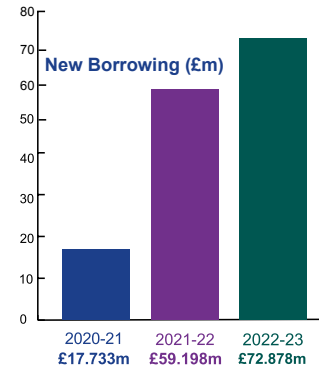
Treasury Management Activity

The Annual Treasury Management and Investment Strategy applicable for the 2022-23 financial year was approved by Council on 3 March 2022. The 2022-23 Strategy can be found at [Committee Agendas, Papers and Minutes](#)

The Strategy provides the detailed information and narrative on the authority’s capital investment plans, treasury management activity (borrowing and investments), prudential indicators and the loans fund liabilities. Where capital investment is financed from borrowing, it is required to be prudent, affordable and sustainable.

New 2022-23 Borrowing

The Council’s borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council’s borrowing is for capital investment purposes and is either sourced from the use of internal cash balances held (internal borrowing) or comes from the Public Works Loan Board (PWLB), a Government-sponsored body set up with the primary purpose of lending to UK local authorities. Borrowing for capital investment purposes is paid for by charging a proportion of the cost along with interest each year to the revenue account over the life of the asset.

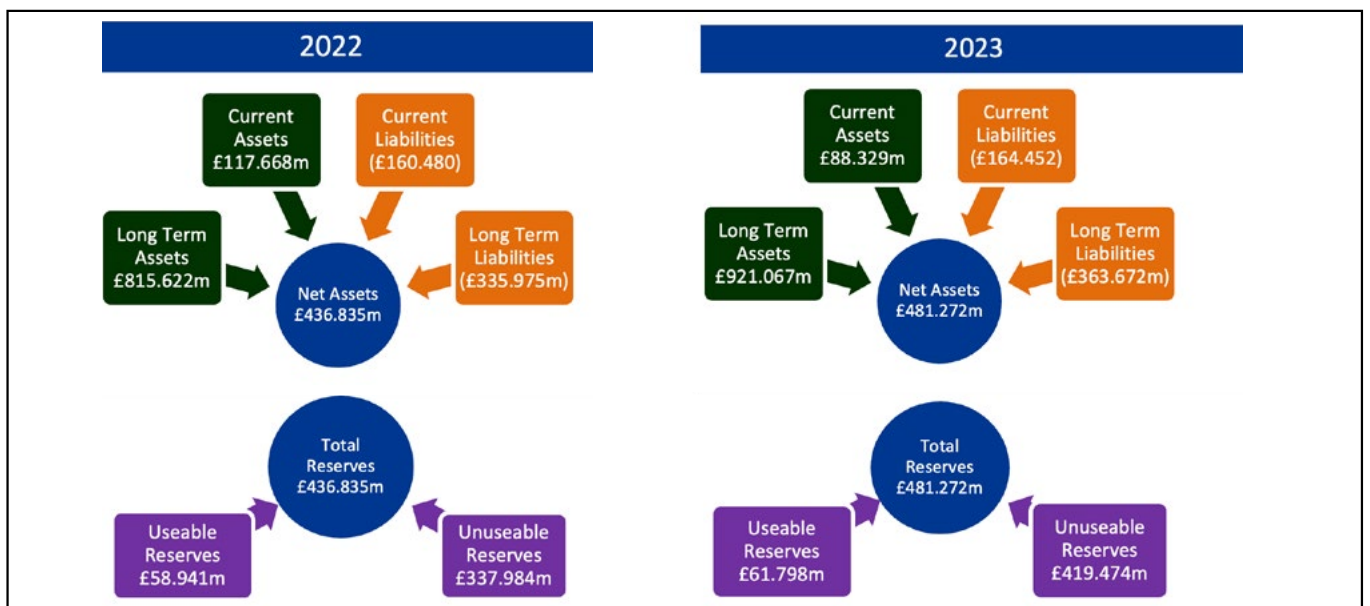


The 2022-23 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 28 June 2023 and remitted to Cabinet for approval. The key Treasury Management indicators drawn from that report are noted below:

Indicator	2021-22	2022-23	Comment
Capital Financing Requirement	£399.007m	£484.612m	External debt levels remain lower than the CFR which reflect the Councils’ strategy to fund part of its capital expenditure using internal funds resulting in an under borrowed position.
Gross External Debt levels	£385.211m	£447.336m	
(Over) / Under borrowed	£13.796m	£37.276m	
Ratio of Financing Costs to Net Revenue Stream - General Fund	5.48%	6.06%	These two ratios complement the assurances of borrowing only being for capital purposes with an indication of the scale of financing costs compared with the level of funding available to the Council.
Ratio of Financing Costs to Net Revenue Stream - HRA	10.79%	10.96%	

Balance Sheet

The Balance Sheet on page 43 summarises the Council’s assets and liabilities at 31 March 2023. The Balance Sheet brings together Long-term assets, Current assets, Current liabilities and Long-term liabilities resulting in total Net Assets of £481.272m for 2023 and shows how the Net Asset position is funded by Useable and Unusable reserves.



Additional Information

Pension Fund

The Council is required to disclose its share of Strathclyde Pension Fund's assets and liabilities, both current and future. The disclosure information is provided to the Council by the Pension Fund actuaries following their annual valuation of the Fund. Formal valuations take place every three years, with the latest formal valuation applicable for 2022-23 having taken place on 31 March 2020. The Council's Balance Sheet shows a pension asset of £22.566 million at 31 March 2023 compared with a liability of £17.001 million at 31 March 2022.

The valuation provided to the Council shows a surplus of £265.031 million. The asset has been amended downwards by £242.465 million to £22.566 million due to the guidance contained within IAS 19 / IFRIC 14, which states that any potential asset should be limited to the estimated future service costs less the minimum contributions required, otherwise known as the asset ceiling. This is not a council specific issue but will apply to all bodies in the UK with a Local Government Pension Scheme asset surplus.

The valuation is only applicable at the Balance Sheet date and fluctuates on a daily basis, primarily due to its reliance on stock market movements.

Public Private Partnership

The Council previously entered into a Public Private Partnership (PPP) agreement with Education for Ayrshire (e4a) for the construction and operation of two new secondary and three new primary schools, together with an annex to an existing secondary school. The first unitary charge payment relating to these schools was made during 2007-2008. During 2017-18 and then in 2019-20 the Council took occupation of the New Ayr Academy and New Queen Margaret Academy respectively, both of which were constructed via a Design, Build, Finance and Maintain contract, commonly referred to as DBFM through the Schools for the Future Programme. This form of contract is similar to the existing PPP contract except responsibility for most janitation and cleaning etc. remains with the Council.

In accordance with Finance Circular 10/2022, the Council has applied a permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-23 on a retrospective annuity basis to the three SCA's currently in place. The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset. By applying the flexibility a one-off combined pre 2022-23 retrospective saving of £21.720m has been achieved with the resultant benefit added to Council revenue reserves. In addition to the one-off retrospective element, an in year saving occurred in scheduled debt repayments in 2022-23, of £2.071m. This will be followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Over the full asset life of the SCA's the total repayment for the debt liability remains the same.

Group Accounts

The Council has an interest in a number of other organisations and is therefore required to prepare Group Accounts. The Group Accounts are included separately in the Council's core statements and consolidate the results of the Council with its share of the results of two subsidiaries and four associates. The inclusion of the subsidiaries and associates in the Group Balance Sheet increases both the net assets and reserves by £50.012 million (£55.811 million in 2021-22), representing the Council's share of the net assets in these entities.

Common Good and Trust Funds

The Council administers a Common Good Fund which comprises five distinct sub-funds, Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves. Details of income and expenditure accounts and balance sheets can be found on page 106 of these accounts.

The Council also administers several Trust Funds, some of which are registered charities. Details of income and expenditure accounts and balance sheets can be found on page 108 of these accounts.

Separate annual accounts and a Trustees' Annual Report have been prepared for the charitable trusts. These are subject to separate external audit and are available on the Council's website.

Outlook and Key Risks

Financial Outlook

The financial outlook remains as uncertain as ever for Local Government due to a number of factors such as high inflation and the cost of living crisis; the impact of the crisis in Ukraine on the world economy; high levels of directed funding for specific national government priorities; the unknown financial consequences associated with implementation of a National Care Service and the continuing one year annual basis for Scottish Government settlements. The Scottish Government published its 2023-24 to 2027-28 Medium Term Financial Strategy (MTFS) in May 2023. The strategy is based on a strategic approach to managing public finances,

Within the MTFS published in May 2023 the Scottish Government signaled its intention to:

- move to publishing refreshed multi-year spending envelopes for both resource and capital alongside the 2024-25 Budget;
- work closely with Convention of Scottish Local Authorities (COSLA) Leaders to deliver a New Deal for Local Government founded on a Partnership Agreement and a Fiscal Framework; and
- simplify and consolidate the Local Government Settlement to ensure reduced reliance on ring-fenced funding and establish clear routes to explore local revenue raising opportunities.

Whilst these positive steps are welcomed, there still remains a significant risk that the level of funding made available to Local Government by the Scottish Government will remain insufficient to meet current demands. This will inevitably require difficult choices to be made by the Council on the provision of local services,

The Council's 2022-2032 Long Term Financial Outlook (LTFO) published in October 2021 and 2023-24 to 2025-26 Medium Term Medium-Term Financial Plan (MTFP) published in November 2022, included assumptions around various factors including amongst other things, Scottish Government funding levels, levels of inflation, including pay increases and the impact of demographic changes.

The purpose of the MTFP is to provide a clear understanding of the expected resources that will be available in the short and medium term to deliver Council Priorities and objectives. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayer's funds. It is an integral part of the Council's financial framework and draws much of its supporting context and evidence from the LTFO.

Contained within the MTFP is a medium-term budget strategy that sets out the key principles to ensure a more robust and strategic approach to financial planning is in place that will facilitate the preparation of a revenue budget for the next three years that is aligned to Council Plan priorities.

The refresh of the Medium-Term Financial Plan is key to understanding availability of financial resources alongside expected demand and service redesign, this will be developed in conjunction with the workforce plan and will incorporate the output from the Strategic Change programme that is now well established within the Council.

Strategic Change Programme

The Council's Strategic Change Programme was launched in June 2021 to develop and deliver business change projects across the Council. The Strategic Change Programme Office is resourced by a Project Implementation Coordinator and Project Officers. Each project on the Programme is assigned to a Project Officer who provides support depending on the nature of the project: from light touch assistance to full project delivery. The programme is overseen by a Strategic Change Executive chaired by the Director of Strategic Change and Communities. The number of projects in scope has increased from twenty two at launch date to a high of thirty five in January 2023. Update reports were presented to Cabinet during 2022-23, with the latest update presented in June 2023.

In the most recent update report to Cabinet in June 2023 it was agreed that, of the now remaining thirty three projects being managed within the Strategic Change Programme, eleven projects would be maintained on the programme, eight would be accelerated to completion and fourteen would be de-scoped from the Programme.

At the most recent Strategic change Executive meeting in May 2023, three new projects were approved for addition to the Programme, taking the total number of projects on the Programme to 14.

Future updates of the Strategic Change Programme will be made bi-annually to the Service and Partnerships Performance Panel to ensure appropriate scrutiny of the Programme and its activity.



Climate Change

In June 2019, South Ayrshire Council adopted its first Sustainable Development and Climate Change Strategy. The strategy set out the Council's overall goal for sustainable development and climate change that: 'People in South Ayrshire enjoy a good quality of life while working to reduce greenhouse gas emissions to avoid the worst effects of climate change and build resilience to adapt to its impacts'.

In October 2020 South Ayrshire Council adopted stretching targets for the reduction of the organisation's greenhouse gas emissions, with the aim of delivering against the council's public sector climate change duties as well as its moral and ethical obligations in this area.

At the same time the council also committed to make a green recovery from Covid-19.

This commitment intends to ensure that the disruption brought by the pandemic is harnessed as an opportunity for positive change while leaving the negative behaviours, habits and impacts of both the pre Covid-19 era and the pandemic in the past. By moving forward in ways which build and develop on the positives we will be best placed to deliver a resilient and low carbon future with a focus on wellbeing and future generations.

Climate change has been identified as a strategic risk and as such features in the Council's Strategic Risk Register as one of the four strategic risks classified within the Protection Theme.

In March 2023, the council approved its third carbon budget for the period 2023-24. The carbon budget sets carbon emission targets for each directorate within the council, with the aim of reducing these in line with its carbon emissions target reduction. The carbon budget for 2023-24 considers the spend and trajectory the council needs to be on to meet its targets, as well as the historic carbon emissions required by individual service areas for service delivery. A ten-year projection has also been issued to budget holders to allow them to plan for longer term change projects and associated savings. Carbon budget information and how it can be developed is being considered as part of the refresh of the Sustainable Development and Climate Change Strategy.

Each year, in line with the Climate Change (Scotland) Act 2009, the Council reports on and makes available publicly via submission to the Scottish Government its Annual Climate Duty Report. The report covers a variety of information on climate change activity, governance arrangements and emissions data. The most recent report was considered by the Cabinet in November 2022 and reported a reduction in emissions of 36 percent from 2014-15 baseline information. The report can be found at [Committee Agendas, Papers and Minutes](#).

Cost of Living Crisis

The cost of living crisis is having a demonstrable impact on local communities, with many people struggling to manage increasing financial pressures. The impact of the crisis on local people, the local economy and on council services has resulted in the cost of living crisis being identified as a risk on the Council's Risk Register. A Member/ Officer Working Group has been established to consider the activities being undertaken by the council to mitigate the impact of the cost of living crisis.

A range of Council services provide support to people most affected by the cost of living crisis.

Information and Advice Hub - plays a crucial role in supporting people to mitigate the impact of the cost of living crisis. Advisors are professionally trained to the standards required by the Scottish National Standards for Information and Advice Providers (SNSIAP). The team provides comprehensive, professional and impartial services for local people, helping them to access the right benefits, to maximise their household income and to manage debt, including sequestration.

Thriving Communities - continue to support communities and residents impacted by the cost of living crisis through a range of interventions and initiatives. Resources continue to target our most deprived communities. Employability provision is underpinned by the Scottish Government's No One Left Behind agenda and more recently supported by the UK Shared Prosperity Fund.

Housing Service - plays a pivotal role in supporting council tenants, homeless households and potentially homeless households, with a clear focus on tenancy sustainment and prevention of homelessness. For council tenants there is a focus on early contact and intervention to provide appropriate advice, support, and signposting where necessary to help tenants maintain their rental payments and sustain their tenancy.

Revenues and Benefits Services - continue to assist customers facing financial hardship by administering one off covid-19 and cost of living related financial support initiatives during. The service provides ongoing support for customers who are in receipt of social security benefits or are on a low income by processing claims for Housing Benefit and Council Tax Reduction, Education Benefit Payments (Free School Meals and Clothing Grants), Discretionary Housing Payments, and the Scottish Welfare Fund (Crisis Grants and Community Care Grants).

Further work aligned to the Member/ Officer Working Group will take place in 2023-24 to develop a Financial Inclusion Strategy and Action Plan and that work will be undertaken to review customer/ client data relating to the cost of living crisis to inform the strategy and action plan going forward.

Key Risks

The top risks for the Council are set out in our Strategic Risk Register which is reviewed and updated by the Council's Corporate Leadership Team (CLT). The Strategic Risk Register is regularly presented to the Audit and Governance Panel for review and scrutiny and thereafter presented to Cabinet for approval. The register contains fifteen strategic risks broken down across three risk themes; Governance, Protection and Resources.

The Strategic Risk Register was updated during 2022-23 to ensure that any new and emerging risks were recognised and mitigating actions identified.

The information overleaf summarises the top strategic risk under each risk theme facing the Council, as determined during 2022-23, alongside the mitigating actions.

In addition to the key risks shown overleaf a further significant risk is recognised in terms of Local Government funding and the significant budget gaps identified in the Financial Strategy section on Page 8. Further details to maintain our financial sustainability will be presented in the updated Medium Term Financial Plan to be brought to Cabinet in the coming months.

Risk theme	Governance	Protection	Resources
Risk title	External factors	Financial Inclusion	Workforce Planning
Potential risk	A range of external factors out with the Council's control such as the pandemic, Brexit, Ukraine, cost of living crisis, industrial action, disruptive weather or other, may adversely impact on the ability to fulfil Council objectives and deliver critical services.	Significant risk that the cost of living crisis, rising inflation and the current economic climate is having a detrimental impact on the local community, both public and employees.	There is a risk that workforce recruitment and retention issues are creating pressure on Service delivery in key areas and there is a risk that workforce planning arrangements may not be consistent across Council Services.
Potential effect	Requirement to re-allocate resources, failure to deliver services to an acceptable level or drive desired improvements. Restrictions on budget, reputational damage.	Specific low-income groups are hardest hit. Current crisis is bringing unaccustomed hardships to groups who have previously managed financially. Impact on lowest paid Council staff.	Services may not be delivered effectively or in line with statutory requirements or agreed standards. Additional unbudgeted spend may be incurred. Reliance on specialist or external organisations and contractors. Limited succession planning.
Mitigations	<ol style="list-style-type: none"> 1. Continued Horizon scanning to anticipate and respond to risks. 2. Watching brief and continual discussion on funding requirements for any unanticipated emergencies. 3. Dissemination of information to officers and members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA). 4. The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). Chief Executive attends Strategic ALRP. 5. The Level of Interaction between Health / Councils and partners has increased and allows for more efficient collaboration in emergency planning. The HSCP Risk and Resilience Forum is well established. 6. 24/7 on call service in place via Civil Contingencies to respond to, and coordinate, Council emergency response to major incidents. 7. Staffing and resourcing arrangements are in place to support those individuals and families arriving in South Ayrshire from Ukraine." 	<ol style="list-style-type: none"> 1. Energy Price Guarantee (EPG) until April 2023. 2. Withdrawal of the National Insurance increase. 3. Increasing the Scottish Child Payment to £25 per week from 14 November 2022 4. Winter Heatin Payments paid. 5. Rent Freeze Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords. 6. Bridging Payments paid. 7. Best Start Grants. 8. 'One stop shop' website to help those struggling financially. 9. National media campaign. 10. The Community Planning Partnership has a Financial Inclusion Strategic Delivery Group who provide direction, identify any gaps in support and direct resources to areas of most need and demand. 11. A Member Officer Working Group for the Cost-of-Living Crisis has been established. 	<ol style="list-style-type: none"> 1. A corporate Workforce Plan (WFP) is now in place which runs to 2025. It links to the Council's strategic priorities 2. WFP training for CLT and Service Leads from the Local Government Association undertaken. 3. Sessions for Co-ordinators delivered in January 2023. 4. Drop-in sessions for Service Leads and Co-ordinators confirming workforce planning process undertaken. 5. Updated workforce profiles and digital skills survey results issued to all Service Leads.

A full copy of the Strategic Risk Register presented the Audit and Governance Panel in March 2023 can be found at: [Committee Agendas, Papers and Minutes](#).

Acknowledgement

We would like to acknowledge the significant effort of all the staff across the Council, who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the financial position at 31 March 2023.

More information

Our website holds more information on our strategies, plans, policies and our performance and spending which can be found by accessing the link below.

south-ayrshire.gov.uk

Eileen Howat
Chief Executive

Councillor Martin Dowie
Leader of South Ayrshire Council

Tim Baulk BA Acc CPFA
Head of Finance, ICT and
Procurement



Section 2: Statement of Responsibilities

This statement sets out the respective responsibilities of the Council and the Head of Finance, ICT and Procurement (as the Council's Section 95 Officer) for the Annual Accounts.

The Council's responsibilities

The Council is required to:

- plan for the proper administration of its financial affairs and to ensure that the proper officer of the Council has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). For South Ayrshire Council that officer is the Head of Finance, ICT and Procurement.
- 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 for signature by the Audit and Governance Panel at its meeting on 27 September 2023.

Councillor Martin Dowey
Leader of the Council

The Head of Finance, ICT and Procurement's responsibilities

The Head of Finance, ICT and Procurement, as Section 95 Officer, is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*).

In preparing these Annual Accounts, the Head of Finance, ICT and Procurement has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation; and
- complied with the Code of Practice (in so far as it is compatible with legislation).

The Head of Finance, ICT and Procurement has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts statements give a "true and fair view" of the financial position of the Council at the reporting date and the transactions of South Ayrshire Council and its group for the year ended 31 March 2023.

Tim Baulk BA Acc CPFA
Head of Finance, ICT and Procurement

Section 3: Annual Governance Statement

This statement sets out the framework within which the Council has put in place proper arrangements (known as the governance framework), for the governance of the Council's affairs thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal financial control are in place.

Scope of Responsibility

South Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2003 to plan to secure Best Value, through continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, effectiveness, the need to meet the equal opportunity requirements, and contributing to the achievement of sustainable development.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. 2021-22 was the first full year of compliance with the CIPFA Financial Management Code 2019 (FM Code). 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 and are satisfied that our governance and related processes meet the requirements of the Code. A copy of the Council's Framework is available on our website at www.south-ayrshire.gov.uk/delivering-good-governance and can also be obtained from the Service Lead – Democratic Governance, South Ayrshire Council, County Buildings, Wellington Square, Ayr, KA7 1DR.

The Council complies with the requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2016". The Council's Head of Finance, ICT and Procurement (Section 95 Officer) has overall responsibility for the Council's financial arrangements and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff.

The Council complies with the requirements of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Appropriate policies, strategies and procedures are in place to effectively manage the risk of fraud and corruption. In addition, a Corporate Fraud Team is in place which reports to the Chief Internal Auditor and is responsible for proactively and reactively investigating all types of corporate fraud against the Council.

The Council complies with the Public Sector requirement within Standard 1210 Proficiency, of the Public Sector Internal Audit Standards (PSIAS) 2013, "The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced". The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff.

Elected Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Audit and Governance Panel, which acts as the Council's Audit Committee, operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit and Governance Panel performs a scrutiny role in relation to the application of PSIAS and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

This statement explains how the Council has complied with the Framework and meets the requirements of The Local Authority Accounts (Scotland) Regulations 2014 which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

Any system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, objectives and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, objectives and outcomes, to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Ayrshire Council for the year ended 31 March 2023 and up to the date of approval of this statement of accounts.

The Governance Framework

The Council's Framework is built around seven principles and twenty-one sub principles that set out the key building blocks of good governance. These are allocated to lead officers who review and assess the effectiveness of the arrangements that are in place within South Ayrshire Council.

	Core Principle	Sub-principles
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity
		Demonstrating strong commitment to ethical values
		Respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement	Openness
		Engaging comprehensively with institutional stakeholders
		Engaging with individual citizens and service users effectively
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	Defining outcomes
		Sustainable economic, social and environmental benefits
D	Determining the actions necessary to optimise the achievement of the intended outcomes	Determining actions
		Planning actions
		Optimising achievement of intended outcomes
E	Developing the Council's capacity, including the capability of its leadership and the individuals within it	Developing the Council's capacity
		Developing the capability of the Council's leadership
F	Managing risks and performance through robust internal control and strong public financial management	Managing risk
		Managing performance
		Robust internal control
		Managing data
		Strong public financial management

G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Implementing good practice in transparency
		Implementing good practices in reporting
		Assurance and effective accountability

Internal Financial Control

The Council’s system of internal controls is based on a framework of regular management information, financial regulations, 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.
- setting targets to measure financial and other performance.
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets.
- clearly defined capital expenditure guidelines; and
- formal project management disciplines, as appropriate.

The system of financial control can only ever provide reasonable and not absolute assurance, that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its system of internal controls.

The main objectives of the Council’s internal control systems are:

- to ensure adherence to management policies and directives in order to achieve the organisation’s objectives.
- to safeguard assets.
- to ensure relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- to ensure compliance with statutory regulations.

The system of financial control is reviewed to ensure continued effectiveness of the work of managers in the Council.

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit section operates in accordance with United Kingdom Public Sector Internal Audit Standards which came into force with effect from 1 April 2013 (and updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and considers the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks and priorities of the organisation. The plan, and any material changes to the plan during the year, is approved by the Audit and Governance Panel. The annual assurance statement from the Chief Internal Auditor for the 2022-2023 financial year states “overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council’s framework of governance, risk management and control arrangements for the year ending 31 March 2023”.

Internal Audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management’s responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and assumed the risk of

not acting. Matters arising from internal audit work are reported to all Members, Chief Executive, Head of Finance, ICT and Procurement (as Section 95 Officer), Head of Legal, HR and Regulatory Services (as Monitoring Officer) and external audit.

























Internal Audit use a system of common definitions in internal audit engagement opinions, as set out by CIPFA in their guidance of April 2020. Definitions are broadly in line with those already used. This aids the reader of the report in understanding control weaknesses. 'Substantial assurance' is where a sound system of control exists and is operating effectively; 'Reasonable assurance' is where controls are generally in place, but some issues are identified. 'Limited assurance' is where significant gaps are identified, and improvements are required to achieve the objectives in that area. 'No assurance' is where immediate action is required to address fundamental gaps or weaknesses in the system. Of the twenty reviews completed by Internal Audit during 2022-2023, twelve resulted in a 'substantial assurance' opinion, seven resulted in a 'reasonable assurance' opinion and one resulted in a 'limited assurance' opinion. Management have continued to react positively to all audit reports and have implemented audit recommendations in order to enhance internal controls and to minimise the risks associated with audit findings.

Regarding the entities incorporated in the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the lead officers within the Council who have responsibility for the development and maintenance of the governance environment, Internal Audit's Annual Statement on the Adequacy of Internal Controls, and also by comments made by the external auditor and other review agencies and inspectorates.

Relating this, a year-end assessment against each of the 21 sub principles within the Council's Framework has been undertaken and signed off by the respective Service Leads / Heads of Service. These assessments were scrutinised by the Audit and Governance Panel in June 2023, ahead of formal consideration of the Council's unaudited Annual Accounts also in June 2023 as agreed with the Council's external auditor.

2022-23 Assessments of each aspect in the Delivering Good Governance Framework					
Behaving with integrity		Sustainable economic, social and environmental benefits		Managing performance	
Demonstrating strong commitment to ethical values		Determining actions		Robust internal control	
Respecting the rule of law		Planning actions		Managing data	
Openness		Optimising achievement of intended outcomes		Strong public financial management	
Engaging comprehensively with institutional stakeholders		Developing the Council's capacity		Implementing good practice in transparency	
Engaging with individual citizens and service users effectively		Developing the capability of the Council's leadership		Implementing good practices in reporting	
Defining outcomes		Managing risk		Assurance and effective accountability	
Key:	 Effective	 Effective but scope for improvement	 Requiring improvement		

This assessment shows nineteen aspects are assessed as 'Effective' and two are effective but have scope for improvement.

Review of 2022-23 Planned Improvement Actions

The following improvement actions were identified in the 2021-22 Annual Governance Statement and progress is shown against each action in the table below. These Actions, where not fully implemented, have rolled over to the 2023-24 Improvement Action Programme:

Core Principle	2022-23 Improvement Action	Progress
Ensuring openness	Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	The new integrated assessment tool was agreed by Council in March 2023 as part of the Council Plan 2023/28. The impact assessment will encourage services to explore where priorities overlap and converge, allowing for a more joined up approach to tackling shared strategic challenges. A short life working group of local experts was created for designing and testing proposed options. The final version of the integrated assessment tool is scheduled to be agreed by Cabinet in September 2023. Once approved, the assessment tool will also incorporate governance to ensure climate change considerations are in line with delivery of the Council's Climate Change Strategy and Climate Change Policy (not fully implemented).
Defining outcomes	Business cases to be developed to include details as to how Ayrshire Growth deal projects will address Inclusive Growth	Good progress has been made with the development of business cases. The Full Business Case for the Commercial Build project was approved by the Cabinet and the AEJC. The Outline Business Case for Spaceport was approved by UKG and SG. The ASTAC business case was submitted to Government for approval and is under review, with the Full Business Case approval date proposed as August 2024. Digital and Roads projects are undertaking a re-scoping exercise. All business cases require to demonstrate how the Ayrshire Growth Deal Programme delivers on inclusive growth (implemented).
	Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy	The Sustainable Scottish Network (SSN) agreed a climate change impact assessment reporting tool. This will inform our new combined Impact Assessment to be introduced in September 2023. This Action has now been incorporated as part of the Delivering Good Governance Action for the development of the Council's Integrated Assessment Tool, incorporating equalities, health in all policies, Fairer Scotland Duty (not fully implemented).
	Revision of the Council's Land and Property Asset Management Plan	The Revision of the Council's Land and Property Asset Management Plan was delayed, as it was due to follow a report on Transforming our Estate being approved by the Council's Cabinet. The Transforming our Estate report was submitted to the Council's Cabinet in May 2023. The revision of the Council's Land and Property Asset Management Plan will subsequently be submitted to the Council Cabinet by end of September 2023 (not fully implemented).

Determining the actions	Review of the Health and Social Care Partnership Adult Mental Health Strategy	A review of the Health and Social Care Partnership Adult Mental Health Strategy did not commence in 2022/23 due to reduced staffing levels. This was delayed due to a restructure in Community Health and Care Services (not fully implemented).
	Contribute to the development and implementation of the Regional Economic Strategy being led by North Ayrshire Council	The Regional Economic Strategy has now been approved by the Ayrshire Economic Joint Committee. A detailed action plan will be developed over the coming month (implemented).
	Develop new Council Plan in partnership with Elected Members and Corporate Leadership Team, which will include refreshing the Council's corporate evaluation tool 'How Good is our Council'	The new Council Plan was developed and agreed by Council in March 2023 (implemented). Light touch self-evaluation has taken place in Service Planning ahead of a refreshed approach to the Council's corporate evaluation tool 'How Good is our Council' (HGIOC) (not fully implemented).
Developing the Council's Capacity	Review workforce planning to better align it to service planning	Corporate Working Group established to develop a Council Plan for 2022-25. The draft workforce plan was considered by Service and Performance Panel in October 2022 and formally approved by Cabinet in November 2022 (implemented).
Managing risks and performance	The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management	Oracle Fusion now operational, with some changes to financial reporting and management already in place. Having implemented the system, we are now at the stabilise stage where we learn and understand new techniques in terms of how to operate it. Further development will be undertaken during the next stage of the system life cycle (innovate) in order to drive further improvement (not fully implemented).

Other 2022-2023 Governance Developments

Members and senior officers use performance management information as part of a consistent and well-managed approach to scrutiny and reporting. The Service and Partnerships Performance Panel is becoming effective at demonstrating the use of performance management information, data and benchmarking, linked to service planning. Improvements in performance management and scrutiny are leading to a greater level of change and improvement.

Following the Council Elections in May, a comprehensive induction programme was provided for Elected Members in May/June 2022 continuing after summer recess. A rolling programme of Member training is provided and includes a self-assessment/PDR toolkit introduced for Members during 2022-23. All Panel and Council Meetings were opened to the public, while remote and hybrid Panel and Council meetings continued to be live webcast throughout 2022-23.

The Council's political decision-making structures continue to be refined. During 2022-23 the Council's management structure supported delivery of the Council's strategic objectives. Chief Officers continue to work in conjunction with Service Leads to refine responsibilities to focus on service delivery and enhancements, as well as achieving balanced budgets. The Council's new enterprise resource planning system (Oracle Fusion) was developed for roll out in April 2023. This system will promote the adoption of best practice and help drive further improvement in financial management.

The new Council Plan 2023-28 was agreed by Full Council in March 2023. The Council Plan identifies key areas of focus over the next five years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. Council Services completed self-evaluation as part of the service planning process and new Service Plans for 2023-24 will be considered by Council in June 2023. The Council's performance management framework is designed to help

deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis. Service Leads develop plans with clear targets that are based around the Council's priorities with quarterly reporting to Service and Partnerships Performance Panel and the Council's Leadership Team. Targets have been set for Local Government Benchmarking Framework indicators where appropriate.

Work through the Council's Corporate Change Programme took place to ensure a project approach to the delivery of key outcomes. The programme is underpinned by a governance framework focusing on benefit realisation and effective reporting. To ensure the appropriate level of governance is in place for the change programme, reports providing updates on the success of the programme were delivered to Cabinet in June 2022 and to the Council's Service and Performance Panel in October 2022. The Council's Strategic Change Executive, which oversees the change programme, receives bi-monthly programme updates which focus on benefits and the delivery of corporate change projects.

Review and evaluation of the Council's Future Operating Model took place during 2022-23. This work is ongoing with updates presented to the Council's Strategic Change Executive and Elected Members. A report on the progress of the Future Operating Model was presented to Cabinet in September 2022. Council commitments to the Council's purpose, vision and values and to highlighting employees' contribution to the Council's wider ambitions continued throughout 2022-23.

The Council's Corporate Workforce Plan (2022-2025) was approved by Cabinet in November 2022 following the Best Value Audit. A comprehensive training programme focusing on workforce planning roles and responsibilities was delivered to senior Council Officers. Training was also provided to all Service Leads by the Local Government Association (LGA). A standardised approach, developed in conjunction with the LGA model, has been adopted in developing the Council's workforce planning activities. The workforce plan includes a comprehensive action plan which will be taken forward by key, identified Services. New workforce planning and succession planning templates were developed and piloted using M365 functionality allowing services to consider and confirm workforce planning actions and activities.

Aspects of the workforce plan will evolve, reflecting new and changing demands, with the implementation working group meeting on a regular basis to review progress. An annual update on progress will be reported to the Council's Service and Partnerships Performance Panel, with actions incorporated within the Council's corporate performance reporting systems.

The Strategic Risk Register continues to be regularly reviewed, updated and reported to the relevant Panels. Risks continue to be grouped under three themes - Governance, Protection and Resources – with fifteen strategic risks identified as having the potential to significantly threaten the achievement of the Council's overarching objectives.

The Health and Social Care Partnership's six Locality Planning Partnerships have continued to meet over the past year. They are now meeting regularly in all 6 localities and many of them are now face to face meetings or, at least, hybrid.

In 2022-23 the Locality Planning Partnerships also led the distribution of around £0.130m of Health and Social Care Partnership (HSCP) monies essentially supporting the HSCP Wellbeing Pledge and supporting locality-based priorities.

Many smaller community/third sector organisations received small grants to support their local work. Integral to the programme this year was support for the Cosy Spaces initiative to mitigate against fuel bills and cost of living challenges. Key developments relating to Locality Planning are reported to the Strategic Planning Advisory Group.

Participatory Budgeting spend in the first 6 months of 2022-23 was reported to the Council's Service and Partnerships Performance Panel. The Council's 1% Participatory Budgeting activity target for financial year 2022-23, as derived from the information contained in the 2022-23 Finance Order FC5/2022, was £2.476m as defined by COSLA and Scottish Government as: 'The total estimated expenditure for revenue, as per the Local Government finance circular, less assumed Council tax intake'. The Council has exceeded the 1% Participatory Budgeting activity target for financial year 2022-23.

An annual report on the Local Outcomes Involvement Plan (LOIP) was presented to the Community Planning Board in October 2022 and work continues on the delivery of outcomes for the strategic themes. A new Local Outcomes Improvement Plan is currently being developed.

The Council has clear arrangements in place to support good governance and accountability. All performance reports, including the Council's Performance Management Framework and Annual Performance Report, are available on the Council's Public Performance Reporting area of the website. We have continued to improve how we publicly report on the Council's performance as part of our statutory duty to make performance information available to citizens and communities and involve them more in improving services. Place Planning sessions were carried out across South Ayrshire during 2022-23 these consultations were to inform key priorities for communities.

The Council's digital community engagement platform became available online in August 2022. This platform enables open, transparent and democratic engagement between the community and the Council.

The Council's performance management framework ensures regular monitoring of progress against local and national objectives, trends over time, performance against appropriate benchmarks, authorities and comparative data. The Service and Partnerships Performance Panel plays a key role in scrutiny by Elected Members.

South Ayrshire's Integrated Joint Board (IJB) Scheme is currently part of an ongoing review process with North and East Ayrshire Councils. This is following the completion of actions agreed by Council relating to the different roles and responsibilities performed by the IJB and the Council in the delivery of Health and Social Care Services last year.

An exercise to review the operational arrangements within the Ayrshire Roads Alliance (ARA) commenced in March 2023. This review is being undertaken by the Council's Strategic Change Team. The review will address any changes in the governance arrangements for ARA, should these be required.

A review of the Quay Zone in Girvan which is operated by South Carrick Community Leisure was presented to the Council's Partnership Panel in February 2023. The Panel was satisfied with the performance of the Quay Zone and its governance relative to the Service Agreement which the Council has in place. Funding for The Quay Zone was retained and approved by Cabinet in February 2023.

South Ayrshire Council decided to merge Service and Performance Panel and Partnership Panel to form Service and Partnerships Performance Panel at a meeting on 01 March 2023.

During 2022-23, the Council's Delivering Good Governance Framework continued to be refined, working in conjunction with Chief Officers and Service Leads, reporting the outcome to Elected Members. The supporting improvement actions from this year's assessment form part of a rolling programme to address any recognised areas for development and emerging priorities.

2023-24 Improvement Actions

	Core Principle	Improvement Action
A	Behaving with integrity	Introduction of new procedures for the Conflict-of-Interest Register for Employees.
B	Ensuring openness	Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process with review of effectiveness and relevance reported to Panel (including governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy) (Link to A and C).
		Governance through reporting by Officers to ensure consultation data and findings are published.

		Review of Ayrshire Roads Alliance Operational Arrangements.
C	Defining outcomes	Revision of the Council's Land and Property Asset Management Plan.
D	Determining the actions	Review of the Health and Social Care Partnership Adult Mental Health Strategy.
		Refresh the Council's corporate evaluation tool 'How Good is our Council'.
E	Developing the Council's capacity	No actions planned.
F	Managing risks and performance	The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management.
G	Deliver effective accountability	No actions planned.

Assurance

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2022-2023 provides reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Martin Dowey
Leader of the Council

Eileen Howat
Chief Executive

Section 4: Remuneration Report

The Remuneration Report provides details of the local authority's remuneration policy for senior councillors and senior employees and details of any role the local authority has in determining the remuneration policy for any local authority subsidiary body.

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Regulations 2014). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

For completeness, the disclosure requirements under paragraph 3.4.4.1(5) (6) and 3.4.5.1 (1) of *The Code* have been included in separate tables for remuneration paid to councillors, remuneration of senior employees and remuneration of officers in excess of £50,000.

All information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland (unless where it is stated that the information is not subject to audit). All other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Arrangements for remuneration

South Ayrshire Council sets the remuneration levels for Senior Councillors and Senior Officers. Its role is to ensure the application and implementation of fair and equitable systems for pay and performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; the Council's policies for the improvement of the delivery of local public services and the funds available to the Council.

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). Various amendments have been made since that time and the salaries payable to members were cited under the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2020 and came into force on 1 April 2022. The regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. The total remuneration that may be paid to the Leader and the Provost is set out in the regulations.

When determining the level of remuneration for councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). In accordance with the regulations South Ayrshire Council may have 1 Leader, 1 Provost and up to 14 Senior Councillors. The regulations set out the maximum that the Council may pay as remuneration of Senior Councillors. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits. In 2022-2023 South Ayrshire Council had the following posts: 1 Leader, 1 Provost and 12 Senior Councillors. 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. Remuneration of elected members for 2022-2023, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 19 May 2022. All allowances and expenses paid to elected members follow policies and procedures and are reviewed regularly to ensure continued relevance and compliance with legislation.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committees (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/152 sets the amount of salary for the Chief Executive of South Ayrshire Council for the period. South Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS).

Remuneration

The following tables provide details of the remuneration of the Council's Senior Councillors and Senior Employees.

The term *remuneration* means gross salary, fees & allowances, taxable expenses and compensation for loss of employment. Amounts presented are on an accruals basis. It excludes pension contributions paid by the Council. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure.

The annual return of councillors' salaries and total expenses paid for 2022-2023 is available on the Council's website by following the link: https://www.south-ayrshire.gov.uk/media/9408/Members-expenses-2022-2023/pdf/Members_Expenses_2022-23.pdf?m=638233648006130000

a) Remuneration of Senior Councillors and Chair of Joint Boards (subject to audit)

Name	Post title	Gross salary & allowances	2022-2023 Total remuneration	2021-2022 Total remuneration
		£	£	£
*M Dowey	Leader of the Council/Senior Councillor (1)	37,709	37,709	22,537
**I Campbell	Provost	26,626	26,626	-
***M Kilpatrick	Senior Councillor (2)/Depute Provost	2,013	2,013	-
*A Clark	Senior Councillor (2)/Senior Councillor (1)	26,063	26,063	22,537
**I Davis	Senior Councillor (2)	23,855	23,855	-
**S Ferry	Senior Councillor (2)	23,855	23,855	-
**M Kilbride	Senior Councillor (2)	23,855	23,855	-
**L Lyons	Senior Councillor (2)	23,855	23,855	-
**R Pollock	Senior Councillor (2)	23,855	23,855	-
****R Shields	Senior Councillor (2)/Senior Councillor (1)	21,717	21,717	-
P Henderson	Senior Councillor (1)/ Leader of the Council	25,143	25,143	37,223
P Saxton	Senior Councillor (1)/Senior Councillor (2)	23,946	23,946	25,012
*****W Grant	Senior Councillor (1)/Depute Provost/Senior Councillor (2)	23,946	23,946	25,012
I Cavana	Senior Councillor (1)	23,467	23,467	22,537
*B Connolly	Senior Councillor (2)	26,063	26,063	22,537
**K Bell	Senior Councillor (1)	21,496	21,496	-
**H Hunter	Senior Councillor (1)	19,507	19,507	15,621
*****H Moonie	Provost	2,776	2,776	27,917
*****I Cochrane	Senior Councillor (2)	2,450	2,450	25,012
*****J Dettbarn	Senior Councillor (2)	2,450	2,450	25,012
*****B McGinley	Senior Councillor (2)	2,450	2,450	25,012
*****C Cullen	Senior Councillor (2)	2,450	2,450	21,169
*****C MacKay	Senior Councillor (1)	2,208	2,208	22,537
*****A Spurling	Senior Councillor (1)	2,241	2,241	6,915
		413,996	413,996	346,590

There were no non-cash expenses & benefits-in-kind paid during 2022-23 or 2021-22.

*Denotes that this member held the position of Senior Councillor (1) until the local election in May 2022 after which they took up a new position as noted.

***Denotes that this member now holds the post of Leader of the Council, Depute Provost. Senior Council (2) and Senior Councillor (1) following the local election in May 2022.*

****Denotes that this member was appointed Senior Councillor (2)/Depute Provost on 1 March 2023.*

*****Denotes that this member held the post of Senior Councillor (1) following the local election in May 2022 until being appointed as a Senior Councillor (2) on 1 March 2023*

****** Denotes that this member held the position of Senior Councillor (2)/Depute Provost until the local election in May 2022 after which they took up the position of Senior Councillor (1).*

****** Denotes that this member no longer holds the post of Leader of the Council, Depute Provost. Senior Councillor (2) and Senior Councillor (1) following the local election in May 2022*

Note:

Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2022-2023 Annual Return which is available on the Council's website.

The post of Senior Councillor (2) carries responsibilities of portfolio holder and Senior Councillor (1) carries responsibilities of Panel Chair and Depute Provost.

The full year equivalent salaries for the above members in post for only part of the year are as follows; Leader of the Council £39,148, Senior Councillor (2) £26,305 and Senior Councillor (1) £23,704.

Senior Councillor (1) holds the post of Chair of AVJB recharge amount £4,845.

Total remuneration is presented on an accruals basis. There are no taxable expenses or compensation for loss of office payments associated with the above posts.

b) Remuneration paid to Councillors (subject to audit)

The Council paid the following salaries and expenses to all councillors (including the Senior Councillors above) during the year.

	2022-2023	2021-2022
	£	£
Salaries	642,743	610,425
Expenses	10,086	4,892
	652,829	615,317

The annual return of councillors' salaries and expenses for 2022-2023 is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI) which results in a minor difference.

c) Remuneration of senior employees (subject to audit)

Name & post	Year ended 31 March 2023		2021-2022
	Gross salary & allowances	Total Remuneration	Total Remuneration
	£	£	£
E Howat – Chief Executive	146,116	146,116	140,547
T Eltringham - Director of Health & Social Care Partnership	125,767	125,767	119,976
M Newall – Depute Chief Executive & Director of Housing	102,293	102,293	88,522
J Bradley – Director of Strategic Change & Communities	102,293	102,293	88,522
L McRoberts – Director of Education (i)	*110,610	*110,610	-
T Baulk – Head of Finance, ICT & Procurement	92,739	92,739	88,522
C Caves – Head of Legal and Regulatory Services	92,989	92,989	89,022
W Wesson – Chief HR Adviser	65,973	65,973	58,949
C McGhee – Chief Internal Auditor (ii)	59,503	59,503	**16,869
D Gillies – Director of Place (iii)	78,946	***78,946	108,197
	977,229	977,229	799,126

- (i) L McRoberts commenced employment with South Ayrshire Council on 11 April 2022. * £113,268 full year equivalent
(ii) C McGhee commenced employment with South Ayrshire Council on 13 December 2021. ** £55,918 full year equivalent
(iii) D Gillies left the employment of South Ayrshire Council on 15 September 2022. ***£108,217 full year equivalent. The figure includes a one-off payment in respect of an early retirement payment.

Figures above include the following election fees: 2022-2023: E Howat £325, C Caves £250, W Wesson £50 2021-2022: E Howat £1,500 and C Caves £500.

Total remuneration is presented on an accruals basis. The senior employees in the table above include any Council employee who has responsibility for management of the Council to the extent that the person has power to direct or control the major activities of the Council (including activities involving the expenditure of money) or reports directly to the Chief Executive, during the year to which the report relates, whether solely or collectively with other persons. There were no Taxable expenses or non-cash expenses & benefits in kind made during 2022-23.

d) Officers' remuneration (subject to audit)

The Council's employees receiving more than £50,000 remuneration for the year, excluding pension contributions, were remunerated within the following bandings:

Remuneration Bands	Number of	Number of
	Employees	Employees
	2022-2023	2021-2022
£50,000 - £54,999	159	153
£55,000 - £59,999	112	60
£60,000 - £64,999	67	46
£65,000 - £69,999	53	20
£70,000 - £74,999	17	3
£75,000 - £79,999	7	4
£80,000 - £84,999	4	2
£85,000 - £89,999	2	7
£90,000 - £94,999	8	-
£95,000 - £99,999	-	1
£100,000 - £104,999	2	-
£105,000 - £109,999	-	1
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
£125,000 - £129,999	1	-
£140,000 - £144,999	-	1
£145,000 - £149,999	1	1
	434	299

Pension benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The term *pension benefits* covers in-year pension contributions for the employee or councillor by the Council and the named person's accrued pension benefits at the reporting date.

Councillors' and employees' pension benefits are based on a career average revalued earnings scheme and is for benefits earned after 6 April 2015. Pension benefits are built up in a year or part year ending 31 March at a rate of 1/49th of the actual pensionable pay received in that scheme year and added to the member's pension account. The pension account is adjusted annually in line with the cost of living as currently measured by the Consumer Price Index.

The scheme's normal retirement age for both councillors and employees is the same as their state pension age with a minimum age of 65.

From 1 April 2009 a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

The tiers and members' contribution rate for 2022-23 were as follows:

Full time pay	Contribution rate 2022-2023
On earnings up to £23,000	5.50%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.50%
On earnings above £38,601 and up to £51,400	9.50%
On earnings above £51,401	12.00%
	Contribution rate 2021-2022
Full time pay	
On earnings up to £22,300	5.50%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.50%
On earnings above £37,401 and up to £49,900	9.50%
On earnings above £49,901	12.00%

If a person works part-time the contribution is based on the actual pensionable pay earned. This includes earnings of additional hours up to the post's full-time hours.

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 employment.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by HMRC. The accrual rate guarantees a pension account based on 1/49th of actual pensionable salary received and years of pensionable service (prior to 2015 the actual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service; prior to 2009 the actual rate guaranteed based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a 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.

a) Pension benefits of senior councillors (subject to audit)

The pension entitlements for senior councillors for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

Name	Post title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2023 £	For year to 31 March 2022 £		As at 31 March 2023 £000	Difference from 31 March 2022 £000
*M Dowey	Leader of the Council/Senior Councillor (1)	7,278	4,350	Pension	3	1
				Lump sum	-	-
**I Campbell	Provost	5,028	-	Pension	2	1
				Lump sum	-	-
***M Kilpatrick	Senior Councillor (2)/Depute Provost	389	-	Pension	7	1
				Lump sum	2	-
*A Clark	Senior Councillor (2)/Senior Councillor (1)	5,030	4,350	Pension	5	1
				Lump sum	-	-
**I Davis	Senior Councillor (2)	4,604	-	Pension	2	-
				Lump sum	-	-
**S Ferry	Senior Councillor (2)	4,552	-	Pension	1	1
				Lump sum	-	-
**M Kilbride	Senior Councillor (2)	4,552	-	Pension	1	1
				Lump sum	-	-
**L Lyons	Senior Councillor (2)	4,604	-	Pension	2	-
				Lump sum	-	-
**R Pollock	Senior Councillor (2)	4,604	-	Pension	2	-
				Lump sum	-	-
****R Shields	Senior Councillor (2)/Senior Councillor (1)	4,191	-	Pension	1	-
				Lump sum	-	-
P Henderson	Senior Councillor (1)/Leader of the Council	4,853	7,184	Pension	3	-
				Lump sum	-	-
P Saxton	Senior Councillor (1)/Senior Councillor (2)	4,622	4,827	Pension	7	1
				Lump sum	2	1
*****W Grant	Senior Councillor (1)/Depute Provost/Senior Councillor (2)	4,622	4,827	Pension	5	1
				Lump sum	-	-
I Cavana	Senior Councillor (1)	1,126	4,350	Pension	10	6
				Lump sum	2	1
B Connolly	Senior Councillor (1)	5,030	4,350	Pension	5	1
				Lump sum	-	-
**K Bell	Senior Councillor (1)	4,149	-	Pension	1	-
				Lump sum	-	-
**H Hunter	Senior Councillor (1)	-	-	Pension	-	-
				Lump sum	-	-
*****H Moonie	Provost	536	5,388	Pension	7	-
				Lump sum	2	-
*****I Cochrane	Senior Councillor (2)	473	4,827	Pension	5	1
				Lump sum	-	-
*****J Dettbarn	Senior Councillor (2)	473	4,827	Pension	3	-
				Lump sum	-	-
*****B McGinley	Senior Councillor (2)	473	4,827	Pension	5	-
				Lump sum	-	-
*****C Cullen	Senior Councillor (2)	473	4,084	Pension	2	-
				Lump sum	-	-
*****C MacKay	Senior Councillor (1)	426	4,350	Pension	2	-
				Lump sum	-	-
*****A Spurling	Senior Councillor (1)	-	-	Pension	-	-
				Lump sum	-	-
		72,088	62,541		89	18

Note – the above table details the councillors previously listed in table a) “Remuneration of Senior Councillors” who are also members of the council pension scheme.

*Denotes that this member held the position of Senior Councillor (1) until the local election in May 2022 after which they took up a new position as noted.

**Denotes that this member now holds the post of Leader of the Council, Depute Provost. Senior Council (2) and Senior Councillor (1) following the local election in May 2022.

***Denotes that this member was appointed Senior Councillor (2)/Depute Provost on 1 March 2023.

****Denotes that this member held the post of Senior Councillor (1) following the local election in May 2022 until being appointed as a Senior Councillor (2) on 1 March 2023

***** Denotes that this member held the position of Senior Councillor (2)/Depute Provost until the local election in May 2022 after which they took up the position of Senior Councillor (1).

***** Denotes that this member no longer holds the post of Leader of the Council, Depute Provost. Senior Councillor (2) and Senior Councillor (1) following the local election in May 2022

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service including any service with a Council subsidiary body, and not just their current appointment.

b) Pension benefits of senior employees (subject to audit)

The pension entitlements of senior employees for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council to each senior employee’s pension during the year.

Name & Post	In-year pension contributions			Accrued pension benefits	
	For year to 31-Mar-23 £	For year to 31-Mar-22 £		As at 31-Mar-23 £000	Difference from 31-Mar-22 £000
E Howat – Chief Executive	28,200	27,126	Pension	83	6
			Lump Sum	135	6
T Eltringham – Director of Health & Social Care Partnership	24,273	23,155	Pension	68	3
			Lump Sum	109	-
M Newall – Depute Chief Executive & Director of Housing	19,742	17,085	Pension	63	13
			Lump Sum	112	25
J Bradley – Director of Strategic Change & Communities	19,742	17,085	Pension	40	8
			Lump Sum	46	10
L McRoberts – Director of Education (i)	*21,348	-	Pension	2	2
			Lump Sum	-	-
T Baulk – Head of Finance & ICT	17,899	17,085	Pension	44	2
			Lump Sum	62	-
C Caves – Head of Legal, HR and Regulatory Services	17,899	17,085	Pension	25	3
			Lump Sum	11	1
W Wesson – Chief HR Adviser	12,723	11,377	Pension	24	2
			Lump Sum	26	2
C McGhee – Chief Internal Auditor (ii)	11,484	**3,256	Pension	22	2
			Lump Sum	29	2
D Gillies – Director of Place (iii)	10,015	20,924	Pension	42	1
			Lump Sum	51	-
	183,325	154,178		994	88

(i) L McRoberts commenced employment with South Ayrshire Council on 11 April 2022 * £21,930 full year equivalent

(ii) C McGhee commenced employment with South Ayrshire Council on 13 December 2021 ** £10,792 full year equivalent

(iii) D Gillies left the employment of South Ayrshire Council on 15 September 2022. ***£20,924 full year equivalent

Exit packages of employees (subject to audit)

The table below sets out the number and costs of exit packages for both 2022-2023 and 2021-2022 financial years. The in-year costs include redundancy, pay in lieu of notice, pension strain costs and compensatory lump sums. The table also includes notional values for Compensatory Added Years (CAY) pension payments, which represents the estimated present value of all future payments until death. This value is based on pension providers' actuarial assumptions on pensioner longevity and other factors. As such, these figures are subject to change and will not reflect actual costs incurred. Exit packages exclude any costs in relation to ill health retirements.

Exit package cost band (including special payments)	2022-2023			2021-2022		
	Number of exit packages	Cost £	Notional CAY cost £	Number of exit packages	Cost £	Notional CAY cost £
£0 - £20,000	3	34,875	-	2	9,727	-
£20,001 - £40,000	3	76,443	-	4	86,380	28,984
£40,001 - £60,000	-	-	-	1	51,035	-
£60,001 - £80,000	1	64,792	-	1	29,971	36,451
£80,001 - £100,000	-	-	-	2	194,334	-
£100,001+	3	488,138	106,223	-	-	-
Total	10	664,248	106,223	10	371,447	65,435

There were no compulsory redundancies during 2022-2023 or 2021-2022.

Trade union facility time (not subject to audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017 and require the Council to collate and publish the following information:

No of employees (and full-time equivalent) who were relevant trade union officials during the year

Percentage of working hours spent on Trade Union facility time	No	FTE
0%	-	-
1 – 50%	40	36.65
51 – 99%	-	-
100%	-	-
	40	36.65

Percentage of total pay spent on trade union facility time and trade union activities

Based on the above information, the percentage of the Council's total pay spent on Trade Union facility time is estimated at 0.01%. Approximately 0.01% of total paid Trade Union facility time is spent on Trade Union activities, as defined by section 170 (1)(b) of the Trade Union and Labour Relations (Consolidation) Act 1992.

Councillor Martin Dowe
Leader of the Council

Eileen Howat
Chief Executive

Section 5: Core Financial Statements

I) Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The 2021-22 Cost of Service directorate structure has been restated to align to the new Council structure that took effect in September 2022. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

Expend £'000	2021-2022 (restated)		Group Net £'000		2022-2023			Group Net £'000
	Council Income £'000	Net £'000			Council Expend £'000	Income £'000	Net £'000	
51,713	(28,218)	23,495	23,495	Chief Executive's Office	56,402	(26,851)	29,551	29,551
130,554	(19,345)	111,209	111,209	Education	139,015	(19,653)	119,362	119,362
69,315	(14,410)	54,905	54,697	Housing, Operations and Development	75,768	(14,551)	61,217	61,010
36,082	(32,832)	3,250	3,250	Housing Revenue Account	35,363	(33,671)	1,692	1,692
29,281	(8,324)	20,957	20,702	Strategic Change and Communities	42,275	(10,996)	31,279	31,030
97,281	-	97,281	97,281	Social Care: Contribution to IJB	106,305	-	106,305	106,305
143,265	(144,057)	(792)	(792)	Social Care: Provision of Services	129,740	(137,792)	(8,052)	(8,052)
7,043	(9,491)	(2,448)	(2,440)	Miscellaneous Services	8,441	(1,119)	7,322	7,312
-	-	-	495	Common Good Funds	-	-	-	605
564,534	(256,677)	307,857	307,897	Cost of services	593,309	(244,633)	348,676	348,815
		483	483	Loss on disposal of non-current assets			3,626	3,626
				Financing and investment income and expenditure:				
		15,475	15,475	Interest payable and similar charges			17,875	17,875
		(272)	(272)	Interest and investment income	Note 10	(1,305)	(1,305)	(1,305)
		2,627	2,627	Net interest on the net defined benefit liability	Note 27	813	813	813
		-	(9,443)	Share of (surplus) on provision of services by associates		-	-	2,740
		(307,208)	(307,208)	Taxation and non-specific grant income	Note 21	(335,774)	(335,774)	(335,774)
		18,962	9,559	Deficit on the provision of services			33,911	36,790
		3,960	3,960	(Surplus) on the revaluation of property, plant and equipment			(11,500)	(11,500)
		62	62	Deficit/(surplus) on financial assets measured at fair value			(63)	(63)
		(130,937)	(130,937)	Remeasurements of the net defined liability (asset)	Note 18	(66,785)	(66,785)	(66,785)
		-	(1,991)	Share of other comprehensive income and expenditure of associates			-	2,920
		(126,915)	(128,906)	Other comprehensive (income) and expenditure			(78,348)	(75,428)
		(107,953)	(119,347)	Total comprehensive (income) and expenditure			(44,437)	(38,638)

II) Movement in Reserves Statement for the year ended 31 March 2023

This statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and "Unusable Reserves". The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the *Comprehensive Income and Expenditure Statement*. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase or Decrease before Transfers to Earmarked Reserves shows the statutory General Fund Balance before any discretionary transfers to and from the earmarked reserves of the Council. The Group element of the statement below provides details of the Council's share of the results of two subsidiaries and four associates. Separate notes to the Group are contained in section eleven of the accounts on pages 103 to 105.

2022-2023	Council Reserves								Share of Group	Total Group Reserve
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Other Statutory Funds	Capital fund	Total usable reserve	Unusable reserves	Total Council reserves	Usable and unusable	Usable and unusable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	39,877	9,531	6,379	1,682	1,472	58,941	377,894	436,835	55,811	492,646
Movement in reserves during 2022-2023										
(Deficit)/ surplus on the provision of services	(40,076)	6,165	-	-	-	(33,911)	-	(33,911)	(2,879)	(36,790)
Other comprehensive income and expenditure	-	-	-	-	-	-	78,348	78,348	(2,920)	75,428
Total comprehensive income and expenditure	(40,076)	6,165	-	-	-	(33,911)	78,348	44,437	(5,799)	38,638
Adjustments between accounting basis and funding basis (Note 5)	45,462	(12,417)	3,099	(567)	1,191	36,768	(36,768)	-	-	-
Net increase/ (decrease) before transfers	5,386	(6,252)	3,099	(567)	1,191	2,857	41,580	44,437	(5,799)	38,638
Transfers to/from earmarked reserves (Note 6)	2,481	-	-	44	(2,525)	-	-	-	-	-
Increase/ (decrease) in 2022-2023	7,867	(6,252)	3,099	(523)	(1,334)	2,857	41,580	44,437	(5,799)	36,638
Balance at 31 March 2023	47,744	3,279	9,478	1,159	138	61,798	419,474	481,272	50,012	531,284

2021-2022	Council Reserves								Share of Group	Total Group Reserve
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Other Statutory funds	Capital fund	Total usable reserve	Unusable reserves	Total Council reserves	Usable and unusable	Usable and unusable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	37,373	14,254	3,697	1,845	2,744	59,913	268,969	328,882	44,417	373,299
Movement in reserves during 2021-2022										
(Deficit) surplus on the provision of services	(14,590)	(4,372)	-	-	-	(18,962)	-	(18,962)	9,403	(9,559)
Other comprehensive income and expenditure	-	-	-	-	-	-	126,915	126,915	1,991	128,906
Total comprehensive income and expenditure	(14,590)	(4,372)	-	-	-	(18,962)	126,915	107,953	11,395	119,347
Adjustments between accounting basis and funding basis (Note 5)	15,833	(351)	2,682	(174)	-	17,990	(17,990)	-	-	-
Net increase/ (decrease) before transfers	1,243	(4,723)	2,682	(174)	-	(972)	108,925	107,953	11,394	119,347
Transfers to/from earmarked reserves (Note 6)	1,261	-	-	11	(1,272)	-	-	-	-	-
Increase/ (decrease) in 2020-2021	2,504	(4,723)	2,682	(163)	(1,272)	(972)	108,925	107,953	11,394	119,347
Balance at 31 March 2022	39,877	9,531	6,379	1,682	1,472	58,941	377,894	436,835	55,811	492,646

III) Balance Sheet as at 31 March 2023

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council. The net assets (assets less liabilities) of the Council are matched by the reserves held. Reserves are reported in two categories: (i) usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and (ii) unusable reserves, i.e. those reserves that the Council is not able to use to provide services. These include reserves that hold unrealised gains or losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the *Movement in Reserves Statement* line "Adjustments between accounting basis and funding basis".

2021-2022				2022-2023	
Council £'000	Group £'000		Note	Council £'000	Group £'000
794,093	808,101	Property, plant and equipment	7	883,802	898,627
6,175	6,175	Heritage assets	8	6,175	6,175
8,930	8,930	Intangible assets	9	7,491	7,491
6,424	6,424	Long-term investments	10	1,033	1,033
-	-	Other Long-term assets (Pensions)	27	22,566	22,566
815,622	829,630	Long-term assets		921,067	935,892
50,000	50,000	Short-term investments	10	30,377	30,377
-	-	Assets held for sale	14	641	641
727	729	Inventories	11	720	722
50,249	50,249	Short-term debtors	12	45,965	45,967
16,692	16,692	Cash and cash equivalents	13	10,626	10,626
117,668	117,670	Current assets		88,329	88,333
(64,049)	(64,049)	Short-term borrowing	10	(84,348)	(84,348)
(89,962)	(90,125)	Short-term creditors	15	(73,519)	(73,663)
(677)	(697)	Short-term provisions	16	(1,005)	(1,025)
(5,792)	(4,605)	Other short-term liabilities	17	(5,580)	(4,750)
(160,480)	(159,476)	Current liabilities		(164,452)	(163,786)
(799)	(799)	Long-term provisions	16	(846)	(846)
-	40,828	Investments in associates/joint ventures		-	34,547
(226,217)	(226,217)	Long-term borrowing	10	(274,797)	(274,797)
(2,615)	(2,615)	Other long-term liabilities (finance leases)	24	(2,469)	(2,469)
(17,001)	(17,001)	Other long-term liabilities (pensions)	27	-	-
(89,343)	(89,374)	Other long-term liabilities	10	(85,560)	(85,590)
(335,975)	(295,178)	Long-term liabilities		(363,672)	(329,155)
436,835	492,646	Net assets		481,272	531,284
58,941	58,941	Usable reserves	6	61,798	61,798
377,894	377,894	Unusable reserves	18	419,474	419,474
-	55,811	Group reserves		-	50,012
436,835	492,646	Total reserves		481,272	531,284

The unaudited Annual Accounts were issued on 28 June 2023. The audited Annual Accounts were authorised for issue on 27 September 2023.

Tim Baulk BA Acc CPFA
Head of Finance, ICT and Procurement

Section 6: Notes to the Core Financial Statements

Note 1: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021-2022 (restated)			2022-2023		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
17,316	6,179	23,495	18,818	10,733	29,551
104,612	6,597	111,209	112,771	6,591	119,362
42,224	12,681	54,905	49,375	11,842	61,217
2,431	819	3,250	4,003	(2,311)	1,692
16,937	4,020	20,957	20,227	11,052	31,279
97,281	-	97,281	106,305	-	106,305
(6,802)	6,010	(792)	(14,474)	6,422	(8,052)
5,790	(8,238)	(2,448)	(8,401)	15,723	7,322
279,789	28,068	307,857	288,624	60,052	348,676
(276,308)	(12,587)	(288,895)	(287,758)	(27,007)	(314,765)
3,481	15,481	18,962	866	33,045	33,911
51,627			49,408		
(3,481)			(866)		
1,262			2,481		
49,408			51,023		

The following table provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2022-2023	Adjustments for capital purposes (Note 1)	Net changes for the pensions adjustment (Note 2)	Other differences (Note 3)	Total adjustments
	£'000	£'000	£'000	£'000
Chief Executive's Office	7,455	3,121	157	10,733
Education	1,288	4,509	794	6,591
Housing, Operations and Development	5,905	5,640	297	11,842
Housing Revenue Account	(3,166)	816	39	(2,311)
Strategic Change and Communities	7,615	3,258	179	11,052
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	6,114	308	6,422
Miscellaneous Services	12,776	2,947	-	15,723
Net cost of services	31,873	26,405	1,774	60,052
Other Income and Expenditure from the Expenditure and Funding Analysis	(27,403)	813	(417)	(27,007)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	4,470	27,218	1,357	33,045

2021-2022 (restated)	Adjustments for capital purposes (Note 1)	Net changes for the pensions adjustment (Note 2)	Other differences (Note 3)	Total adjustments
	£'000	£'000	£'000	£'000
Chief Executive's Strategic Office	2,929	3,410	(160)	6,179
Education	2,211	4,863	(477)	6,597
Housing, Operations and Development	7,159	5,788	(266)	12,681
Housing Revenue Account	(24)	882	(40)	818
Strategic Change and Communities	720	3,444	(143)	4,021
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	6,272	(262)	6,010
Miscellaneous Services	(11,367)	3,129	-	(8,238)
Net cost of services	1,628	27,788	(1,348)	28,068
Other Income and Expenditure from the Expenditure and Funding Analysis	(14,797)	2,627	(417)	(12,587)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	(13,169)	30,415	(1,765)	15,481

Note 1: Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from that receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2: Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CIES.

Note 3: Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Expenditure and income analysed by nature

The authority's expenditure and income is analysed as follows:

	2022-2023 £'000	2021-2022 £'000
Expenditure		
Employee benefit expenses	248,048	228,369
Other service expenses	310,489	308,122
Depreciation, amortisation and impairment	35,585	30,670
Interest payments	17,875	15,475
(Gain) or Loss on the disposal of assets	3,626	483
Total Expenditure	615,623	583,119
Income		
Fees, charges and other service income	(244,633)	(256,677)
Interest & investment income	(1,305)	(272)
Income from Council Tax, non-domestic rates	(95,023)	(83,695)
Government grants and contributions	(240,751)	(223,513)
Total Income	(581,712)	(564,157)
Deficit on the provision of services	33,911	18,962

Note 2: Reconciliation of Adjustments Between Accounting Basis and Funding Basis shown in the Expenditure and Funding Analysis (EFA) with those shown in the Movement in Reserves Statement (MiRS)

	2022-2023 £'000	2021-2022 £'000
Adjustments between Accounting Basis and Funding Basis per EFA	33,045	15,481
Application of receipts to finance capital expenditure	(2,060)	(289)
Transfer of capital receipts from revenue to reserves	5,783	2,798
Adjustments between Accounting Basis and Funding Basis per MiRS	36,768	17,990

Note 3: Material items of expenditure and income

Where material items of expenditure and income are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES) or disclosed in other notes, *The Code* requires a disclosure of the nature and amount of these items. Material items of expenditure and income are detailed below:

	2022-2023	2021-2022
	£'000	£'000
Housing Benefit/ Discretionary Housing Payments paid	25,323	26,096
Housing Benefit/ Discretionary Housing funding received	(23,276)	(24,311)

In 2022-23 the Council recognised a £21.720m (2021-22: £nil) retrospective adjustment within the Movement in Reserves Statement relating to a PPP Service Concession Arrangement flexibility, permitted by Finance Circular 10/2022. Further detail on this adjustment is provided in Note 25: Public private partnerships and similar contracts.

Note 4: Events after the Balance Sheet date

The audited Annual Accounts were authorised for issue on 27 September 2023.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date the Statement of Accounts is authorised for issue. There are two distinct types: those that existed at the balance sheet date where the accounts should be adjusted to reflect these (an adjusting event); and those which arose after the balance sheet date which require disclosure in the notes to the accounts if material (a non-adjusting event). There are no such events to report for 2022-23.

Note 5: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the usable reserves that the adjustments are made against.

General Fund

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Council are met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the Act that is available to fund future expenditure in connection with the Council's landlord function.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions, that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

Repairs and Renewals Fund

The Repairs & Renewals Fund is used to assist with abnormal repairs and maintenance to Council assets and holds contributions received from the general fund for this purpose. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2022-2023

	General Fund balance £'000	Housing revenue account balance £'000	Capital grants unapplied account £'000	Repairs & renewals fund £'000	Capital fund £'000	Net movement £'000
Adjustments primarily involving the capital grants unapplied account:						
Application of grants to capital financing transferred to the capital adjustment account	-	-	121	567	1,372	(2,060)
Adjustments primarily involving the capital adjustment account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(19,727)	(12,284)	-	-	-	32,011
Amortisation of intangible assets	(3,574)	-	-	-	-	3,574
Capital grants and contributions applied	20,997	10,031	(3,220)	-	(2,563)	(25,245)
Net gain or (loss) on sale of non-current assets	(3,623)	(3)	-	-	-	3,626
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	7,644	1,349	-	-	-	(8,993)
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	(21,720)					21,720
Capital expenditure charged against the general fund and HRA balances	2,338	14,101	-	-	-	(16,439)
Adjustments primarily involving the financial instruments adjustment account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	315	103	-	-	-	(418)
Adjustments primarily involving the employee benefit statutory mitigation account:						
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,735)	(39)	-	-	-	1,774
Adjustments primarily involving the pensions reserve:						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 27)	(26,377)	(841)	-	-	-	27,218
Total adjustments	(45,462)	12,417	(3,099)	567	(1,191)	36,768

Figures for 2021-2022 are provided in an additional table below for the purposes of comparison.

2021-2022	General Fund balance £'000	Housing revenue account balance £'000	Capital grants unapplied account £'000	Repairs & renewals fund £'000	Net movement £'000
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	115	174	(289)
Adjustments primarily involving the capital adjustment account:					
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>					
Charges for depreciation and impairment of non-current assets	(13,730)	(15,715)	-	-	29,445
Amortisation of intangible assets	(1,225)	-	-	-	1,225
Capital grants and contributions applied	14,140	1,139	(2,797)	-	(12,482)
Net gain or (loss) on sale of non-current assets	(482)	(1)	-	-	483
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for the financing of capital investment	8,985	1,249	-	-	(10,234)
Capital expenditure charged against the general fund and HRA balances	4,319	14,489	-	-	(18,808)
Adjustments primarily involving the financial instruments adjustment account:					
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	301	116	-	-	(417)
Adjustments primarily involving the employee benefit statutory mitigation account:					
Amount by which employees' remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,309	39	-	-	(1,348)
Adjustments primarily involving the pensions reserve:					
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 27)	(29,450)	(965)	-	-	30,415
Total adjustments	(15,833)	351	(2,682)	174	17,990

Note 6: Movement in Useable Reserves and Transfers to or from other Statutory Reserves

Movement in useable reserves - This note details the movement during the year on all useable reserves held by the Council at 31 March 2023, along with the purpose of each fund held.

Reserve:	31 March 2022 £000	Movements during the year £000	31 March 2023 £000	Purpose
General Fund balance uncommitted	5,943	1,499	7,442	This balance represents 3.19% of future budgeted expenditure.
Affordable Housing	1,482	(300)	1,182	Contributes towards the provision of new build social housing.
Efficiency & Improvement Fund	1,490	(212)	1,278	Used to provide short-term enabling funding to promote and support service redesign.
Workforce Change Fund	1,127	4,804	5,931	Used to meet the severance and other employee related costs arising from any Council's workforce service redesign measures.
Earmarked Funds				
Election reserve	159	(130)	29	Various projects for which funds have been identified prior to 31 March 2023 but where spending plans exist in future years.
Civil Contingency	97	-	97	
Prestwick Airport	60	(60)	-	
Glenburn PS temp accommodation	1	(1)	-	
Employability reserve	958	(489)	469	
Transform South Ayrshire	(51)	51	-	
Invest in South Ayrshire	200	-	200	
Ayrshire Growth Deal - PMO	269	(74)	195	
Community Hall fund	633	(60)	573	
Ayr Renaissance	26	(26)	-	
Revenue Budget contribution	3,296	(2,176)	1,120	
Financial Insecurity contribution	250	(250)	-	
Directorate Earmarking	7,809	(3,205)	4,604	
Corporate Support - Capacity Issues	806	(299)	507	
Levelling Up - additional capacity	125	-	125	
Golf Strategy - health and safety issues	500	(45)	455	
Station Hotel - consultant	25	(25)	-	
Station Hotel - Encapsulation costs	590	(90)	500	
Additional Public Holiday (Kings Coronation)	-	83	83	
PPP Reserve commitment to 2023/24 to 2026/27 budgets	-	14,000	14,000	
Inflation reserve	-	2,500	2,500	
Ash Tree Die back	-	542	542	
Covid-19	14,082	(8,170)	5,912	Covid-19 funds received up to 31 March 2023 but where spending plans exist in future years.
General Fund Balance	39,877	7,867	47,744	

Reserve (continued):	31 March 2022 £000	Movements during the year £000	31 March 2023 £000	Purpose
Housing Revenue Account	9,531	(6,252)	3,279	£1.213m is earmarked to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.066m to be held as a contingency for unexpected or emergency situations.
Housing Revenue Account Balance	9,531	(6,252)	3,279	
<u>Other reserves</u>				
Capital grants unapplied	6,379	3,099	9,478	Records amounts that have been credited to the Comprehensive Income and Expenditure Statement but not yet applied to fund capital expenditure.
Capital fund	1,472	(1,334)	138	Used for financing capital expenditure and the repayment of the principal of loans
Repair and renewals fund	1,682	(523)	1,159	Used to assist with abnormal repairs and maintenance to Council properties where these arise in an emergency situation and where there is no mainline budget available, or where the use of the fund is planned as part of the budget process. It may also be used to facilitate asset improvement and savings/ efficiencies.
Other Reserves Balance	9,533	1,242	10,775	
Total Useable Reserves	58,941	2,857	61,798	Total Useable Reserves per the Movement in Reserves Statement on Page 41

Transfer to or from other statutory reserves - This note sets out the amounts set aside from the General Fund in statutory reserves established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for future expenditure plans and the amounts transferred back to meet General Fund expenditure in 2022-2023. Figures for 2021-2022 are provided in an additional table below for the purposes of comparison.

2022-2023

	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Fund £'000
Contribution to Repair and Renewal Fund from General Fund	44	(44)	-
Contribution from Capital Fund to General Fund	(2,525)	-	2,525
Total adjustments	(2,481)	(44)	2,525

2021-2022

	General Fund Balance £'000	Repairs and Renewals Fund £'000	Capital Fund £'000
Contribution to Repair and Renewal Fund from General Fund	11	(11)	-
Contribution to Capital Fund from General Fund	(1,273)	-	1,273
Total adjustments	(1,262)	(11)	1,273

Note 7: Property, Plant and Equipment

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 below.

2022-2023

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2022	278,453	254,143	115,334	38,090	2,008	2,467	69,481	759,976
Additions in year	11,974	29,812	1,368	3,405	352	0	59,621	106,532
Disposals in year	(99)	(3,818)	-	(372)	(9)	(120)	(1,170)	(5,588)
Revaluation adjustments to revaluation reserve	-	3,110	2,405	2	-	9	-	5,526
Revaluation adjustments to CIES	-	(8,198)	1,086	-	-	9	-	(7,103)
Other reclassifications*	4,748	36,564	-	675	465	(693)	(43,975)	(2,216)
At 31 March 2023	295,076	311,613	120,193	41,800	2,816	1,672	83,957	857,127
Depreciation and impairment								
At 1 April 2022	-	3,973	-	27,033	-	-	431	31,437
Depreciation charge for the year	10,077	5,909	2,883	4,296	-	30	-	23,195
Depreciation/Impairment written to revaluation reserve	-	(3,981)	(1,981)	(2)	-	(10)	-	(5,974)
Impairment losses to CIES	-	(2,148)	(902)	-	-	-	605	(2,445)
On disposals	-	(764)	-	(340)	-	(14)	(432)	(1,550)
Other reclassifications	-	7	-	(13)	-	(6)	-	(12)
At 31 March 2023	10,077	2,996	-	30,974	-	-	604	44,651
Net book value at 31 March 2023	284,999	308,617	120,193	10,826	2,816	1,672	83,353	812,476
Nature of asset holding								
Owned	284,999	306,059	-	10,826	2,816	1,672	83,353	689,725
Finance lease	-	2,558	-	-	-	-	-	2,558
PPP	-	-	120,193	-	-	-	-	120,193
	284,999	308,617	120,193	10,826	2,816	1,672	83,353	812,476

2021-2022

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
At 1 April 2021	324,971	248,469	113,010	34,451	653	2,354	42,606	766,514
Additions in year	16,812	7,112	1,357	3,663	620	-	50,562	80,126
Disposals in year	(48)	(190)	-	-	-	-	-	(238)
Revaluation adjustments to revaluation reserve	(80,883)	321	665	-	-	28	(6)	(79,875)
Revaluation adjustments to CIES	-	(6,184)	302	-	-	85	(11)	(5,808)
Other reclassifications*	17,601	4,615	-	(24)	735	-	(23,670)	(743)
At 31 March 2022	278,453	254,143	115,334	38,090	2,008	2,467	69,481	759,976
Depreciation and impairment								
At 1 April 2021	52,760	5,762	-	24,897	-	77	259	83,755
Depreciation charge for the year	14,479	5,845	2,825	2,162	-	31	-	25,342
Depreciation/Impairment written to revaluation reserve	(67,239)	(3,869)	(1,941)	(2)	-	(108)	-	(73,159)
Impairment losses to CIES	-	(3,798)	(884)	-	-	-	194	(4,488)
On disposals	-	(2)	-	-	-	-	-	(2)
Other reclassifications	-	35	-	(24)	-	-	(22)	(11)
At 31 March 2022	-	3,973	-	27,033	-	-	431	31,437
Net book value at 31 March 2022	278,453	250,170	115,334	11,057	2,008	2,467	69,050	728,539
Nature of asset holding								
Owned	278,453	247,452	-	11,057	2,008	2,467	69,050	610,487
Finance lease	-	2,718	-	-	-	-	-	2,718
PPP	-	-	115,334	-	-	-	-	115,334
	278,453	250,170	115,334	11,057	2,008	2,467	69,050	728,539

Infrastructure Assets (Note 1 below)

2021-22		2022-23
£'000		£'000
59,942	Net book value at 31 March 2022	65,553
7,573	Expenditure	7,769
245	Reclassifications	437
(2,207)	Depreciation	(2,433)
65,553	Net book value at 31 March 2023	71,326
728,539	Other PPE Assets (tables above)	812,476
794,092	Total Property Plant and Equipment assets	883,802

Note 1 - 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.

Depreciation

As highlighted in Significant Accounting Policies, Note 31 Section 7 to these accounts on pages 88 to 90 under "Property, plant and equipment", depreciation is provided for all assets with a determinable life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below:

Category	Sub-category	Useful life (years)	Valuer	Basis of Valuation	Date of last full valuation
Schools PPP assets	~	40	Estates Co-ordinator	Current Value	31-Mar-23
Other land and buildings	Buildings	5 to 40	Estates Co-ordinator/ External valuer	Current Value / Fair Value / Historic Cost	Valued on a 5-year rolling programme
	Land	Up to 999	Estates Co-ordinator	Current Value / Fair Value / Historic Cost	As above
	Specialised buildings	10 to 40	Estates Co-ordinator	Current Value	31-Mar-23
Council dwellings	~	19-23	DVS Property Specialists	Existing Use Value – Social Housing 'Beacon Principle' (EUVSH)	31-Mar-22
Vehicles	~	0 to 7	Transport Manager	Net Realisable Value (NRV)	Not Applicable
Equipment	~	5 to 20	Not applicable	Historical Cost	Not Applicable
Infrastructure assets	~	Up to 40	Not applicable	Historical Cost	Not Applicable
Assets under construction	~	5 to 99	Not applicable	Historical Cost	Not Applicable
Community assets	~	99 to 999	Not applicable	Historical Cost	Not Applicable

Revaluation programme

The Council's programme for the revaluation of property, plant and equipment, ensures all such assets required to be measured at fair value are re-valued at least every five years. The measurement basis used for determining the gross carrying amount, the valuers and the significant assumptions applied in estimating the fair values are disclosed separately in Significant Accounting Policies, Note 31 Section 7 to these accounts on pages 88 to 90 under "Property, plant and equipment". Each year the land and buildings of a different class are revalued within this rolling programme approach. This can lead to significant movements in value between valuations of some classes of large assets only subject to revaluation every five years. A new valuation methodology is currently being considered for introduction in 2023-24 whereby a percentage of each class of asset is revalued each year across all services. This would reduce the likelihood of uneven valuation movements arising in a given year.

In both 2021-22 and 2022-23 the asset revaluation methodology has been adapted to ensure that the carrying amount of assets held in the balance sheet at the year-end does not differ materially from the current value at that date. The Council relies on figures produced by the Building Cost Information Service (BCIS) for carrying out Depreciated Replacement Cost valuations and therefore looked at the trends in costs over the last 5 years to determine what it consider to be a material change. The cost indices since 2018 show that the last peak came in 2018 where quarter year on year costs ranged from 4.1% to 8.3% and averaged 6.3% over the full

year. Given the relative stability of costs since this period it was considered that any year-on-year increase in costs that remained consistently around the 6% level throughout the year would be considered material and should be reflected in the valuation.

The process then encompassed using revaluation evidence from properties valued during the year by Council staff or contracted valuers and consideration of the appropriate BCIS industry indices to determine if a material change in valuation had occurred during the year. Where a material change had been determined then all assets not valued during the year within the given category have been adjusted to reflect the current value.

Gross Book Values are analysed by year of valuation below:

	Council Dwellings £'000	Other Land and Buildings £'000	Schools PPP Assets £'000	Vehicles, Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historic cost	-	12,777	-	41,800	738	55,315
Valued at current value as at:						
31 March 2023	-	257,850	120,193	-	407	378,450
31 March 2022	295,076	19,264	-	-	190	314,530
31 March 2021	-	15,788	-	-	65	15,853
31 March 2020	-	172	-	-	-	172
31 March 2019	-	5,762	-	-	272	6,034
Total cost or valuation	295,076	311,613	120,193	41,800	1,672	770,354

Commitments under capital contracts

The Council approved capital investment programmes for General Services and Housing for 2022-2023 for construction or enhancement of property, plant and equipment, as outlined in the table below.

	General Services £'000	Housing £'000	2023-24 Total £'000	2022-23 Total £'000
Expenditure				
Capital investment	99,145	75,740	174,885	197,482
	99,145	75,740	174,885	197,482
Sources of finance				
Prudential borrowing	54,407	53,671	108,078	164,087
Capital grants, contributions and other receipts	44,738	14,559	59,297	24,490
Capital funded from current revenue	-	7,510	7,510	8,905
	99,145	75,740	174,885	197,482

Note 8: Heritage assets

Valuation	Fine Arts £'000	Other Heritage Assets £'000	Civic Regalia £'000	Total Heritage Assets £'000
1 April 2022	2,205	3,777	193	6,175
31 March 2023	2,205	3,777	193	6,175
1 April 2021	2,115	1,066	151	3,332
Revaluations during the year	90	2,711	42	2,843
31 March 2022	2,205	3,777	193	6,175

Fine arts and other heritage assets

The Council's collection of fine arts is reported on the Balance Sheet at insurance valuation, which is based on market values. Additionally, individual collections are reviewed periodically to ensure the adequacy of the valuation. Details of the most recent valuations conducted on the above assets are as follows:

Lyon and Turnbull 21 December 2021

Christie's December 5 January 2022

Civic regalia and other civil effects

The civic regalia and other civic effects are reported in the Balance Sheet at a replacement cost insurance valuation by external valuers. Details of most recent valuations conducted on the above are as follows:

Lyon and Turnbull 21 December 2021

Note 9: Intangible assets

The Council accounts for its software and licences financed through the capital investment programme as intangible assets and are shown at cost. The asset is amortised over the economic life of the software and licenses, assessed as either three or five years on a straight-line basis.

There have been no changes to the estimated useful life of any intangible assets during the year; there have been no revaluations, disposals of intangible assets and no charges for impairment have been made.

The movement on intangible asset balances during the year is as follows:

	31 March 2023 £'000	31 March 2022 £'000
Balance at start of year:		
Gross carrying amounts	13,265	10,618
Accumulated amortisation	(4,335)	(3,110)
Net carrying amount at start of year	8,930	7,508
Purchases	1,456	2,647
Reclassifications*	679	-
Amortisation for the period	(3,574)	(1,225)
Net carrying amount at end of the year	7,491	8,930
Comprising:		
Gross carrying amounts	15,400	13,265
Accumulated amortisation	(7,909)	(4,335)
	7,491	8,930

*Net reclassifications from Property, plant & equipment to Intangible assets.

Note 10: Financial instruments

Categories of financial instrument

The following categories of financial instrument are carried in the balance sheet:

Financial Assets

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2023	2022	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost	252	5,706	-	-	30,377	50,000	45,965	50,249
Fair value through other comprehensive income - other	781	718	-	-	-	-	-	-
Total financial assets	1,033	6,424	-	-	30,377	50,000	45,965	50,249
Non-financial assets	-	-	-	-	-	-	-	-
Total	1,033	6,424	-	-	30,377	50,000	45,965	50,249

Financial Liabilities

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2023	2022	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised Cost Note 1*	(274,797)	(226,217)	-	-	(84,348)	(64,049)	(73,519)	(89,962)
Total financial liabilities	(274,797)	(226,217)	-	-	(84,348)	(64,049)	(73,519)	(89,962)
Finance lease liabilities	(2,470)	(2,615)	-	-	(145)	(141)	-	-
PPP	(85,560)	(89,342)	-	-	(3,783)	(3,685)	-	-
Total Non-financial liabilities	(88,030)	(91,957)	-	-	(3,928)	(3,826)	-	-
Total	(362,827)	(318,174)	-	-	(88,276)	(67,875)	(73,519)	(89,962)

*Note 1

- Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest.
- Accrued interest is not required for instruments measured at Effective Interest Rate (EIR), as this adjustment covers a full year's interest.
- Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Income, expense, gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2022-2023		2021-2022	
	(Surplus)/deficit on the provision of services £'000	Other comprehensive income and expenditure £'000	(Surplus)/deficit on the provision of services £'000	Other comprehensive income and expenditure £'000
Net (gains)/losses on:				
Financial assets measured at amortised cost	(1,305)	-	(272)	-
Financial assets measured at fair value through other comprehensive income	-	(63)	-	62
Financial liabilities measured at amortised cost	17,875	-	15,518	-
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	(543)	-	-	-
Total net losses/(gains)	16,027	(63)	15,246	62
Interest revenue:				
Financial assets measured at amortised cost	(1,305)	-	(272)	-
Financial assets measured at fair value through other comprehensive income	-	(63)	-	62
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments (Note2*)	(543)	-	-	-
	(1,848)	(63)	(272)	62
Interest expense	17,875	-	15,518	-

*Note 2 - Loan of £543k for counterparty Ayr Gaiety Partnership has been fully impaired in 2022-23 as Council has agreed to write off the full loan balance on 1st April 2023.

Fair values of assets and liabilities

Except for the financial assets carried at fair value, all other financial assets and liabilities represented by amortised cost 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 instrument using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures (Table 1).
- As an alternative, applying premature redemption rates have also been applied to highlight the impact of the alternative fair value valuation (Table 2).
- For non PWLB loans payable prevailing market 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 their fair value.
- 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.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair value of financial assets and financial liabilities

As at 31 March 2023, the fair values of financial assets and financial liabilities are calculated as follows:

	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£'000	£'000	£'000	£'000
PWLB	212,953	173,577	178,232	206,118
LOBO (Option)	33,543	33,336	33,200	48,254
Market Debt	36,207	35,095	16,000	18,532
Short Term Borrowing	75,619	75,619	62,000	61,888
Sub Total Borrowing	358,322	317,627	289,432	334,792
PPP Liability	89,343	98,303	93,027	121,831
Short Term Finance Lease Liability	145	145	141	141
Long Term Finance Lease Liability	2,470	2,470	2,615	2,615
Short Term Creditors	73,519	73,519	89,962	89,962
	165,477	174,437	185,745	214,549
EIR Accounting Entry	823	823		
Total Liabilities	524,622	492,887	475,177	549,341

The fair values calculated using premature redemption rates are calculated as follows:

	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£'000	£'000	£'000	£'000
PWLB	212,953	201,375	178,232	245,736
LOBO (Option)	33,543	39,357	33,200	58,608
Market Debt	36,207	36,728	16,000	20,983
Short Term Borrowing	75,619	75,619	62,000	61,894
Sub Total Borrowing	358,322	353,079	289,432	387,221
PPP Liability	89,343	106,301	93,027	133,144
Short Term Finance Lease Liability	145	145	141	141
Long Term Finance Lease Liability	2,470	2,470	2,615	2,615
Short Term Creditors	73,519	73,519	89,962	89,962
	165,477	182,435	185,745	225,862
EIR Accounting Entry	823	823		
Total Liabilities	524,622	536,337	475,177	613,083

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

The fair value of PWLB loans of £173,577m (using new loan rate) measures the economic effect of the terms agreed with PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with PWLB, against what would be paid if the loans were at prevailing market rates.

The fair values of financial assets are calculated as follows:

Table 3	31 March 2023		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	£'000	£'000	£'000	£'000
Long term investments	1,033	1,015	6,424	6,798
Investments	30,377	30,377	50,000	49,813
Current asset debtors	45,965	45,965	50,249	50,249
	77,375	77,357	106,673	106,860

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes several fixed rate investments where the interest rate payable is higher than the prevailing rates in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions on 31 March 2023) arising from a commitment to receive interest from lenders above current market rates.

Note 11: Inventories

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
As at 31 March	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year	341	131	341	348	45	43	727	522
Purchases	1,649	1,356	1,414	1,558	1,604	1,293	4,667	4,207
Recognised as an expense in year	(1,677)	(1,145)	(1,417)	(1,565)	(1,599)	(1,290)	(4,693)	(4,000)
Written off balances	9	(1)	-	-	-	(1)	8	(2)
Reversals of write-offs in previous years	4	-	6	-	-	-	10	-
Balance outstanding at year end	326	341	344	341	50	45	720	727

Note 12: Debtors

	2022-2023	2021-2022
	£'000	£'000
Trade receivables	28,976	38,325
Prepayments	5,015	3,344
Council Tax*	4,524	4,081
Non-Domestic Rates*	2,533	3,174
Other receivable amounts	4,917	1,325
Total	45,965	50,249

* Amounts for local taxation (Council Tax and Non-Domestic Rates) are past due but not impaired.

Note 13: Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following components. Except for Imprest accounts held at council establishments, the balances in all the categories listed below are used together to manage the Council's overall cash balances on a day-to-day basis.

	2022-2023	2021-2022
	£'000	£'000
Cash held by the authority	49	46
Bank current accounts	(2,578)	(459)
Short term/Callable deposits held with UK banks	13,155	17,105
Total cash and cash equivalents	10,626	16,692

Note 14: Assets held for sale

	2022-2023	2021-2022
	£'000	£'000
Balance outstanding at start of year	-	-
Assets reclassified as Held for Sale	641	-
Balance outstanding at year end	641	-

Note 15: Creditors

	2022-2023	2021-2022
	£'000	£'000
Trade Creditors	55,728	69,940
Other payable amounts	17,791	20,022
Total	73,519	89,962

Note 16: Provisions

	Enterprise Grants	Community Grants	Short-term Provisions	Employee Provisions	Insurance Provisions	Other Provisions	Long-term Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2022	425	252	677	283	16	500	799	1,476
Additional/(reduced) provisions made in 2022/23	202	136	338	0	52	19	71	409
Amounts used in 2022/23	0	(10)	(10)	0	(5)	(19)	(25)	(35)
Balance as at 31 March 2023	627	378	1,005	283	63	500	846	1,851

The Council has made a provision in respect of several potential claims outstanding at 31 March 2023, including for employee-related claims, the Council's share of the former Strathclyde Regional Council's insurance claims and other potential insurance claims against the Council.

The information usually required by International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed in respect of these provisions on the grounds that it can be expected to prejudice seriously the outcome of the proceedings. Provisions are also held in relation to outstanding commitments for enterprise grants and grants to voluntary organisation. Payments in relation to provisions are expected over the next 12 - 24 months.

Note 17: Other short-term liabilities

	31 March 2023	31 March 2022
	£'000	£'000
Public Private Partnership (PPP)	3,782	3,685
Amounts owed to Common Good	751	1,057
Amounts owed to Trusts and others	902	909
Finance Lease	145	141
	5,580	5,792

Note 18: Unusable reserves

Summary of year-end balances

The total for Unusable Reserves in the Balance Sheet is made up of the following reserves:

	2022-2023	2021-2022
	£'000	£'000
Revaluation reserve	150,372	141,976
Capital adjustment account	263,129	268,219
Financial Instrument adjustment account	(10,149)	(10,567)
Financial instruments measured at fair value reserve	741	678
Pension reserve	22,566	(17,001)
Employee statutory mitigation account	(7,185)	(5,411)
	419,474	377,894

Revaluation Reserve

The Revaluation Reserve contains the unrealised gains made by the Council arising from the increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account:

	2022-2023	2021-2022
	£'000	£'000
Balance at 1 April	141,976	153,096
Upward revaluation of assets	16,447	12,898
Downward valuation of assets and impairment losses not charged to the deficit on the provision of services	(4,948)	(16,858)
Surplus on revaluation of non-current assets not posted to the deficit on the provision of services	11,499	(3,960)
Difference between fair value depreciation and historical cost depreciation	(1,945)	(6,344)
Accumulated gains on assets sold or scrapped	(1,158)	(816)
Amount written off to the Capital Adjustment Account	(3,103)	(7,160)
Balance at 31 March	150,372	141,976

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements of accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the

Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. Note 5 on page 48 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2022-2023	2021-2022
	£'000	£'000
Balance at 1 April	268,219	250,399
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</i>		
Charges for depreciation and impairment of non-current assets	(32,011)	(29,445)
Amortisation of intangible assets	(3,574)	(1,225)
Amounts of non-current assets written off on disposal or sale as part of the (loss) on disposal to the CIES	(3,625)	(483)
Adjusting amounts written out of the revaluation reserve	3,103	7,160
Net written out amount of the cost of non-current assets consumed in the year	(36,107)	(23,993)
<i>Capital financing applied in the year:</i>		
Capital grants and contributions credited to the CIES that have been applied to capital financing	25,246	12,483
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	2,060	288
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	(12,727)	10,234
Capital expenditure charged against the general fund and HRA balances	16,439	18,808
Balance at 31 March	263,129	268,219

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2022-2023	2021-2022
	£'000	£'000
Balance at 1 April	(10,567)	(11,400)
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	408	407
Fair value effective interest rate adjustment in line with statutory requirements	10	10
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	418	417
Balance at 31 March	(10,149)	(10,567)

Financial Assets Measured at Fair Value

The Financial Assets Measured at Fair Value Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2022-2023 £'000	2021-2022 £'000
Balance at 1 April	678	740
(Downward)/upward revaluation of investments	63	(62)
Balance at 31 March	741	678

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. For the current financial year, the overall pension asset of £265.031 million has been adjusted for the asset ceiling calculation required by IAS19/IFRIC 14 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction, resulting in a revised pension asset of £22.566m shown in the table below.

	2022-2023 £'000	2021-2022 £'000
Balance at 1 April	(17,001)	(117,523)
Re-measurement of the net defined benefit asset	309,250	130,937
Asset ceiling adjustment	(242,465)	-
Reversal of items relating to retirement benefits debited or credited to the deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(48,922)	(49,709)
Employer's pension contributions and direct payments	21,704	19,294
Balance at 31 March	22,566	(17,001)

Employee Statutory Mitigation Account

The Employee Statutory Mitigation Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

	2022-2023 £'000	2021-2022 £'000
Balance at 1 April	(5,411)	(6,759)
Settlement or cancellation of accrual made at the end of the preceding year	5,411	6,759
Amounts accrued at the end of the current year	(7,185)	(5,411)
Balance at 31 March	(7,185)	(5,411)

Note 19: Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2022-2023 the Council collected £21.634m (£20.577m 2021-2022) and paid over £21.234m (£20.177m 2021-2022) and received £0.400m (£0.400m 2021-2022) for providing this service. The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2022-2023 the Council billed £41.272m (£27.640m 2021-2022) on their behalf and received £30.913m (£23.358 2021-2022) in income from the Non-Domestic Rates Pool.

Business Support grants totalling £2.118m (2021-2022: £17.568m) were distributed on behalf of the Scottish Government to local businesses in response to the Covid-19 pandemic. Government cost of living support totalling £5.425m (2021-2022: £nil) was distributed by way of a reduction in Council Tax bills.

Note 20: External audit cost

The Council has incurred costs of £0.327m in 2022-2023 in respect of fees payable regarding external audit services carried out under the Code of Practice (£0.290m 2021-2022).

Note 21: Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022-2023:

	31 March 2023	31 March 2022
	£'000	£'000
Credited to taxation and non-specific grant income		
General revenue grant	209,723	204,345
Covid-19 grants	-	3,888
Receipted capital income	31,028	15,280
Non-domestic rates income	30,913	23,358
Council tax income	64,110	60,337
Total	335,774	307,208

	31 March 2023	31 March 2022
	£'000	£'000
Credited to services		
Covid-19	322	1,726
Department of Work and Pensions	23,749	24,748
Education	21,357	19,747
Education Maintenance Allowance	293	332
Electric Vehicles	29	68
Health Authorities	136	127
Leader	308	329
Modern Apprentices	117	144
Other Grants and Contributions	1,854	1,563
Police	30	30
School Milk	-	9
Social Work	31,356	44,609
Townscape Heritage Initiative	46	38
Zero Waste	-	90
Total	79,597	93,560

Note 22: Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Scottish Government – has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of grants received from the Scottish Government are included in Note 21 above.

Members of the Council - Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2022-23 are shown in the Remuneration Report. During 2022-23 works and services to the value of £6.151m (of which £0.000m remained unpaid at 31 March 2023) (2021-22 £7.602m of which £0.006m remained unpaid at 31 March 2022) were commissioned from the Energy Agency and Strathclyde Partnership for Transport. Ian Cochrane, Councillor has declared an interest as a member of both these companies and Philip Saxton, Councillor has declared an interest as a member of

the board of Energy Agency. Contracts were entered into in full compliance with the Council's standing orders. There was a material balance outstanding on the Energy Agency contract of £0.275m as at 31 March 2023

During 2022-23 there were no grants paid to voluntary organisations wherein Members of the Council had an interest (Nil in 2021-22). Details of the transactions during 2022-23 are available by emailing CFTenquires@south-ayrshire.gov.uk.

Officers of the Council - During 2022-2023 Mike Newall - Depute Chief Executive and Director of Housing, Operations and Development declared an interest in Freeport Scotland Ltd as director. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. Mike Newall was appointed by The Council as director of the company and the Council has a 37% share in the company. The Council did not receive any lease income during 2022-23 and there was no management fee received during 2022-2023.

In addition, Mike Newall was appointed by Council and B Shareholders (Public Sector Shareholders) as Public Sector Director on Hub South West Scotland Ltd which is a Company established by the Scottish Government as a development partner to deliver Public Sector Infrastructure. The Council did not receive any payment respect of this appointment. During 2022-23 works and services to the value of £71.652m (of which NIL was unpaid at 31 March 2023) was commissioned from the HUB South West Scotland Ltd (2021-22 £44.291m of which £0.245m remained unpaid at 31 March 2022). No material balances were outstanding on this contract as at 31 March 2023.

Total remuneration paid to senior officers is shown in the Remuneration Report Section 4 at page 31. No remuneration was paid to the Council as a result of these appointments

South Ayrshire Integration Joint Board – The South Ayrshire Integration Joint Board was established on 1 April 2015 as a partnership between South Ayrshire Council and NHS Ayrshire and Arran Health Board and is responsible for planning and overseeing the delivery of a full range of community health and social work/social care services, including those for older people, adults, children and families, people in the Criminal Justice System and allied health professions. In the year 2022-23 the following South Ayrshire Council financial transactions were made with South Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2022-23	2021-22
	£'000	£'000
Contribution made to South Ayrshire Integration Joint Board	106,305	93,602
Commissioning income received from South Ayrshire Integration Joint Board	115,970	111,149

The Council funded an in year overspend of £3.277m in the 2018-19 financial year for the Health and Social Care Partnership (HSCP). Of the amount owed, £0.291m was repaid in 2019-20, with a further £1.092m being repaid in 2020-21 and 2021-22. The final repayment of £0.802m was received in 2022-23 in line with the agreed repayment plan.

Other public bodies – the Council has substantial interests in other public bodies, details of which are disclosed in the Group Balance Sheet. In addition, the Council received grants and income from NHS Ayrshire & Arran of £16.601m during 2022-2023 (£39.256m 2021-2022).

Note – the £16.601m includes credit of £9.548m of Covid income included in the £39.256m in 21-22.

Assisted organisations – the Council provided funding to organisations including Grants to Voluntary Organisations, Rural Communities Fund and funding for Business Advice, which are all made up of small donations to small organisations, none of which exceeded 50% of those organisations' total funding. No material balances were outstanding on these contracts as at 31 March 2023.

Ayr Renaissance LLP - established by the Council as a separate arm's length Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by the Council. The contribution from the Council to the LLP's running costs for the year ended 31 March 2023 was £0.002m (2021-22: £0.006m). No material balances were outstanding as at 31 March 2023 or 31 March 2022. The LLP is expected to be wound up during 2023-24.

Administration of Trust Funds - The Council have responsibility for the administration and decision making of various trusts where the Councillors have sole control.

The Councillors and Officers of the Council also exert significant influence in the administration and decision making of several trusts where the Councillors do not have sole control. For further details please see Section 13 Trust Funds.

Note 23: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR during the year is analysed in the second part of the table.

	31 March 2023 £'000	31 March 2022 £'000
Opening capital financing requirement	399,007	350,044
Capital investment		
Property, plant and equipment	116,031	88,273
Intangible assets	1,455	2,647
	<u>117,486</u>	<u>90,920</u>
Sources of finance		
Capital Receipts	(123)	(153)
Government grant and other contributions	(28,046)	(12,771)
Capital funded from current revenue	(16,439)	(18,798)
Repayment of PPP/finance lease	(3,827)	(3,790)
Loans fund principal repayments	(7,238)	(6,445)
Application of PPP retrospective flexibility	21,720	-
Application of PPP in year flexibility	2,071	-
Closing capital financing requirement	<u>484,611</u>	<u>399,007</u>
Explanation of movements during the year		
Increase in the underlying need to borrow	89,431	52,753
(Decrease) in finance lease obligations	(142)	(221)
(Decrease) in PPP finance lease creditor	(3,685)	(3,569)
Increase in capital financing requirement	<u>85,604</u>	<u>48,963</u>

Note 24: Leases

Authority as lessee - Finance leases

The Council has entered into a number of contracts for miscellaneous equipment under finance leases.

The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the following net book values:

	31 March 2023 £'000	31 March 2022 £'000
Property, plant and equipment	<u>2,558</u>	<u>2,718</u>

The Council is committed to making minimum payments under these lease arrangements, comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2023	31 March 2022
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	145	141
Non-Current	2,469	2,615
Finance costs payable in future years	674	728
Minimum lease payments	3,288	3,484

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
	£'000	£'000	£'000	£'000
No later than one year	200	199	145	141
Later than one year and not later than five years	798	798	630	614
Later than five years	2,287	2,487	1,836	2,001
	3,285	3,484	2,611	2,755

Authority as lessee - Operating leases

The Council has acquired vehicles, plant and equipment by entering into operating leases. The minimum lease payments due under non-cancellable leases in future years are:

	31 March 2023	31 March 2022
	£'000	£'000
No later than one year	1,283	1,526
Later than one year and not later than five years	1,384	1,678
	2,667	3,204

The expenditure charged to the service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases are:

	31 March 2023	31 March 2022
	£'000	£'000
Minimum lease payments	1,856	1,718
	1,856	1,718

Authority as lessor - Finance leases

The Council has not entered into any finance lease arrangements.

Authority as lessor - Operating leases

The Council has granted commercial leases for properties to various tenants on a variety of lease terms. These arrangements are accounted for as operating leases. The minimum lease payments receivable under non-cancellable leases in future years are shown in the table below. (These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews).

	31 March 2023	31 March 2022
	£'000	£'000
No later than one year	786	786
Later than one year and not later than five years	1,273	1,364
Later than five years	10,669	10,909
	12,728	13,059

Note 25: Public private partnerships and similar contracts

The Council previously entered into a Public Private Partnership (PPP) agreement with Education for Ayrshire (e4a) for the construction and operation of two new secondary and three new primary schools, together with an annex to an existing secondary school. The first unitary charge payment relating to part-year costs for two primary schools and the annex to the secondary school, was made during 2007-2008. The final unitary charge payment will be made in 2039-2040, at which time the schools will transfer to Council ownership with a guarantee of no major maintenance requirements for a five-year period. All the schools were completed during 2009-2010.

Scotland's Schools for the Future Programme was established in 2009 to manage the replacement or upgrading of a programme of schools in collaboration between all 32 local authorities in Scotland and the Scottish Government. During 2017-2018 and then in 2019-2020 the Council took occupation of the New Ayr Academy and New Queen Margaret Academy respectively, both of which were constructed via a Design, Build, Finance and Maintain contract, commonly referred to as DBFM through the Schools for the Future Programme. This form of contract is similar to the existing PPP contract except responsibility for most janitation and cleaning etc. remains with the Council. The first unitary charge payment for Ayr Academy relating to the part-year costs for the secondary school, was made during 2017-2018. The final unitary charge payment will be made in 2042-2043. The first unitary charge payment for Queen Margaret Academy relating to the part-year costs for the secondary school, was made during 2019-2020. The final unitary charge payment will be made in 2044-2045. Once the final unitary charges are made for both schools the schools will transfer to Council ownership.

Property, plant and equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement in Note 7 Property, plant and equipment.

Remaining payments under the agreements

The Council makes an agreed payment each year, which is increased each year by inflation and can be reduced if the provider fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the original PPP contract, the new Ayr Academy and new Queen Margaret academy contract at 31 March 2023 (assuming an average inflation rate of 2.50% and excluding any estimation of availability and performance deductions) are as follows:

	Payment of services	Reimbursement of capital expenditure	Interest	Total
	£'000	£'000	£'000	£'000
Payable within one year	6,545	3,782	7,374	17,701
Payable within two to five years	29,328	15,605	28,638	73,571
Payable within six to ten years	46,407	19,984	32,214	98,605
Payable within eleven to fifteen years	48,723	26,804	31,157	106,684
Payable within sixteen to twenty years	18,868	20,226	11,483	50,577
Payable within twenty-one to twenty-five years	1,198	2,941	469	4,608
Total	151,069	89,342	111,335	351,746

Liabilities from PPP arrangements

Although the payments to the provider are described as unitary payments, they have been calculated to compensate the provider for the fair value of the services they provide, and the capital expenditure incurred plus the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the provider for the capital expenditure (the outstanding finance lease obligation) is as follows:

	2022-2023	2021-2022
	£'000	£'000
Balance outstanding at start of year	93,027	96,596
(Reductions) during the year	(3,685)	(3,569)
Balance outstanding at year end	89,342	93,027

Application of PPP Service Concession Arrangement Flexibilities

In accordance with Accounting Policy 12 on page 90 and in line with Finance Circular 10/2022, the Council has applied the permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-23 on a retrospective annuity basis with a useful life of 40 years. The flexibility being applied is consistent with current Council Loans Fund arrangements and is considered prudent, sustainable, and affordable over the life of the asset.

The current repayment charges have been compared against an annuity repayment profile based on the estimated useful asset lives for the each of the three SCA arrangements. The most appropriate asset life is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. The calculation of the repayment charges of each SCA or Public Private Partnership (PPP) scheme using the asset life annuity basis is compared to the current charges which are made over the contract period. By applying the flexibility, a one-off combined pre-2022-23 retrospective saving of £21.720m as detailed in the table below will be achieved.

PPP debt repayment	Current repayment	Revised repayment	(Reduction)/ Cost
	£'000	£'000	£'000
Pre 2022-23	34,342	12,622	(21,720)
Paid in 2022-23	3,685	1,614	(2,071)
Payable within two to five years	15,409	7,418	(7,991)
Payable within six to ten years	19,679	11,879	(7,800)
Payable within eleven to fifteen years	25,288	15,624	(9,664)
Payable within sixteen to twenty years	23,750	20,551	(3,199)
Payable within twenty-one to twenty-five years	5,216	27,035	21,819
Payable within twenty-six to forty years	-	30,626	30,626
Total	127,369	127,369	-

In addition to the one-off retrospective element, an in-year saving occurs in scheduled debt repayments in 2022-23, of £2.071m. This will be followed by a reduction in the annual charges for further 17 years and then the continuation of the statutory charges after the SCA contracts have been repaid. Over the full asset life of the SCAs the total repayment for the debt liability remains the same.

Impact on CIES and Balance Sheet.

The reprofiling of the debt liability repayments increases the Capital Financing Requirement (CFR) by £21.720m as at 1 April 2022. The increase in the CFR (Note 18) will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2023 has the following impact on the 2022-23 Balance sheet (Capital Adjustment Account) and Movement in Reserves statement:

	£'000	£'000	£'000
	Retrospective	In-year	Total
Capital Adjustment Account (Note 18)	21,720	2,071	23,791
Movement in Reserves Statement (Note 5)	(21,720)	(2,071)	(23,791)

Note 26: Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2022-23, incurring liabilities of £0.770m (£0.437m 2021-22). The total is payable to 10 (2021-22: 10) employees from directorates detailed in the analysis provided. Termination benefits exclude ill health retirals'. Further detail can be found within the Exit packages note contained in the Remuneration report on page 39.

Number	Directorate
1	Education
1	Housing Operations and Development
1	Health and Social Care Partnership
7	Strategic Change and Communities
<u>10</u>	

Note 27: Defined benefit pension schemes

Participation in pension schemes

The post-employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS) and is administered by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the appointed actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole fund. There is a statutory requirement for the Strathclyde Pension Fund to publish a separate annual report, which can be accessed on their website:

<https://www.spfo.org.uk/index.aspx?articleid=14493>.

Benefits

It is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pension's liability with investment assets. The pension accrual rate guarantees a pension based on 1/49th of pensionable salary and years of pensionable services. (Prior to 2015, the accrual rate guaranteed a pension and a lump sum based on final pensionable salary and years of pensionable service). There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The scheme's normal retirement age is linked to the state pension age. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Governance

The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of elected members of Glasgow City Council. Employing authorities (including South Ayrshire Council) are represented at the Strathclyde Pension Fund Representative Forum.

Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.

Under the Regulations, employers fall into three categories; scheme employers (also known as schedule bodies) such as South Ayrshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

Principal risks

The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

Discretionary post-employment benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the Council's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the Council Tax is based upon the pension contributions payable by the Council in the year, and an adjustment is made in the Movement in Reserves Statement to achieve this.

The following transactions have been made in the accounting statements in 2022-2023 and the prior year 2021-2022.

	2022-2023 £'000	2021-2022 £'000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
<i>Service cost comprising:</i>		
Current service cost	47,437	46,585
Past service cost (including curtailments)	672	497
<i>Financing and investment income and expenditure:</i>		
Net interest expense/ (income)	813	2,627
Total post-employment benefit charged to the deficit on the provision of services	48,922	49,709
Other post-employment benefits charged to the CIES:		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
Return on the plan assets	50,544	(53,693)
Actuarial (gains) arising on changes in demographic assumptions	(7,735)	(6,445)
Actuarial (gains) and losses arising on changes in financial assumptions	(404,387)	(73,032)
Other	52,328	2,233
Total post-employment benefit charged to the CIES	(260,328)	(81,228)
Movement in Reserves Statement (MiRS)		
Reversal of net charge made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(27,218)	(30,415)
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contribution payable to the scheme	21,704	19,294

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	2022-2023 £'000	2021-2022 £'000
Present value of the defined benefit obligation: funded	(704,098)	(1,001,507)
Present value of the defined benefit obligation: unfunded	(25,772)	(31,829)
Fair value of pension fund assets	994,901	1,016,335
Surplus/(Deficit)	265,031	(17,001)
Asset Ceiling Adjustment	(242,465)	-
Net Asset/(Liability) arising from defined benefit obligations	22,566	(17,001)

A reconciliation of the Council's share of the present value of Strathclyde Pension Fund's defined benefit obligation is as follows:

	2022-2023	2021-2022
	£'000	£'000
Opening balance at 1 April	1,033,336	1,062,152
Current service cost	47,437	46,585
Past service cost	672	497
Interest cost	28,276	21,511
Contributions by scheme participants	5,974	5,266
<i>Re-measurement gains and (losses):</i>		
Actuarial (gains) arising on changes in demographic assumptions	(7,735)	(6,445)
Actuarial (gains) and losses arising from changes in financial assumptions	(404,387)	(73,032)
Other losses/ (gains)	52,328	2,233
Benefits paid	(24,174)	(23,575)
Unfunded benefits paid	(1,857)	(1,856)
Closing balance at 31 March	729,870	1,033,336

A reconciliation of the movement in the Council's share of the fair value of Strathclyde Pension Fund's assets is as follows:

	2022-2023	2021-2022
	£'000	£'000
Opening fair value of the scheme assets	1,016,335	944,629
Interest income	27,463	18,884
<i>Re-measurement gains and (losses):</i>		
Return on the plan assets	(50,544)	53,693
Contributions from employers	19,847	17,438
Contributions from employees in the scheme	5,974	5,266
Other losses/(gains)	-	-
Benefits paid	(24,174)	(23,575)
Closing fair value of the scheme assets	994,901	1,016,335

Analysis of pension fund assets

The asset values below are at bid value as required under IAS19 Employee Benefits.

At 31 March 2023

Asset category	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	2022-2023 Total £'000
Cash and cash equivalents			
Equity instruments:			
Consumer	44,510	123	44,633
Manufacturing	54,045	1,431	55,476
Energy and Utilities	4,980	-	4,980
Financial Institutions	21,105	75	21,180
Health and Care	35,331	58	35,389
Information Technology	34,308	96	34,404
Sub-total equity	194,279	1,783	196,062
Debt securities (corporate bonds incl. non-investment grade)	-	-	-
Private equity	-	244,535	244,535
Real estate (UK property)	-	82,029	82,029
Investment funds and unit trusts:			
Equities	4,286	325,417	329,703
Bonds	-	114,738	114,738
Commodities	-	388	388
Infrastructure	-	6,389	6,389
Other	-	2,209	2,209
Sub-total investment funds and unit trusts	4,286	449,141	453,427
Cash and cash equivalents (all)	13,760	5,088	18,848
Totals	212,325	782,576	994,901

At 31 March 2022

Asset category	Quoted Prices in Active Markets £'000	Prices not quoted in Active Markets £'000	2021-2022 Total £'000
Cash and cash equivalents			
Equity instruments:			
Consumer	47,567	45	47,612
Manufacturing	44,630	154	44,784
Energy and utilities	10,497	80	10,577
Financial institutions	27,892	98	27,990
Health and Care	33,856	106	33,962
Information technology	59,016	-	59,016
Sub-total equity	223,458	483	223,941
Debt securities (corporate bonds non-investment grade)	-	-	-
Private equity	-	198,961	198,961
Real estate (UK property)	-	85,711	85,711
Investment funds and unit trusts:			
Equities	5,638	370,695	376,333
Bonds	-	102,649	102,649
Commodities	-	349	349
Infrastructure	-	892	892
Other	-	1,637	1,637
Sub-total investment funds and unit trusts	5,638	476,222	481,860
Cash and cash equivalents (all)	25,518	344	25,862
Totals	254,614	761,721	1,016,335

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Fund's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest valuation of the Fund at 31 March 2023. The significant assumptions used by the actuary have been:

Mortality assumptions:	2022-2023	2021-2022
Longevity at 65 for current pensioners		
Male	19.3	19.6
Female	22.2	22.4
Longevity at 65 for future pensioners		
Male	20.5	21.1
Female	24.2	24.5
Financial assumptions:		
Rate of inflation/pension increase rate	2.95%	3.20%
Rate of increase in salaries	3.65%	3.90%
Rate for discounting scheme liabilities	4.75%	2.70%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change, that the assumptions analysed will change, while all the other assumptions remain constant.

Change in assumption at 31 March 2023	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.1% decrease in real discount rate	2%	13,282
0.1% increase in the salary increase rate	0%	1,569
0.1% increase in the pension increase rate	2%	11,902

Asset and liability matching strategy

The Strathclyde Pension Fund has an asset and liability matching strategy (ALM) that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pensions' obligations by investing in long-term fixed interest securities and index linked gilt-edged investments with maturities that match the benefits payments, as they fall due. A large proportion of the assets relate to investment funds and unit trusts 46% (2021-22 47%), equities 20% (2021-22 22%) and private equity 25% (2021-22 20%). The scheme also invests in properties 7% (2021-22 8%) and in cash 2% (2021-22 3%). The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Council's cash flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employer's contributions have been set at 19.3% for 2022-2023 based on the last triennial valuation completed on 31 March 2020.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2024 is £19.315m. The weighted average duration of the defined benefit obligation for Fund members is 19 years (This is different from the mortality assumptions quoted in the table above in "*Basis for estimating assets and liabilities*").

Note 28: Pensions schemes accounted for as defined contribution schemes

The Council participates in the Scottish Teachers Superannuation Scheme, administered by the Scottish Public Pension Agency. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

- The scheme is an unfunded statutory public service pension scheme, with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions. Please refer to point iv below which advise current contribution rates would stay in force until 1 April 2024.
- The Council has no liability for other employers' obligations to the multi-employer scheme.
- As the scheme is unfunded, there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.
- i) The scheme is an unfunded multi-employer defined benefit scheme.
- ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Council is unable to identify its share of the underlying assets and liabilities of the scheme.

- iii) The employer contribution rate for the period from 1 April 2022 is 23.0% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.
- iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.
- v) Contributions collected in the year to 31 March 2023 will be published in October 2023.

The Council paid £12.9m (£11.7m 2021-2022) for employer's contributions. As a proportion of the total contributions into the scheme during the year ended 31 March 2023 (£667.7m), the Council's own contributions paid equate to approximately 1.93%.

Note 29: Contingent assets and liabilities

At 31 March 2023 the Council had no material contingent assets. Having received notice of several potential insurance and other claims, the Council recognises that it has a potential liability which may require to be met where claims are successful. Accordingly, it has agreed to meet any liability in excess of provisions made in the financial statements from uncommitted reserves. These include:

- A share of potential liabilities arising from claims lodged against the former Strathclyde Regional Council (SRC) on a geographical basis. These potential liabilities include shared liability in connection with Municipal Mutual Insurance (MMI) Limited, one of SRC's insurers. Following the Supreme Court ruling in 2012 on Employers' Liability Insurance "Trigger" Litigation, the Council have made provision to meet clawback of estimated payments made by MMI Limited for known claims and recognise a contingent liability for claims that may be incurred but are yet to be reported.
- The Limitation (Childhood Abuse) (Scotland) Act 2017 removed the three-year time bar on survivors of abuse bringing forward claims for compensation. This applies to all claims from 1964 onwards and a potential cost to the Council exists in respect of claims which may arise under the legislation.
- A share of costs arising from the potential demolition of the building (or part thereof) adjacent to Ayr Railway Station, the possibility of which remains under discussion with a number of relevant parties. The building is not owned by the Council.

These and other potential claims remain subject to a high degree of uncertainty and at this time it is not clear that either an obligation exists or that its value can be reliably established.

Note 30: Nature and extent of risks arising from financial instruments

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **re-financing risk** – the possibility that the Council 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 for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risk

The Council's 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.

The procedures for risk management are set out through a legal framework based on the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and the investment guidance (regulations – Scotland) issued through the Act.

These procedures require the Council 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 within its financial regulations and standing orders; and
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - (i) The Council's overall borrowing
 - (ii) The maximum and minimum exposures to fixed and variable interest rates
 - (iii) The management of interest rate exposure
 - (iv) The maximum annual exposures to investments maturing beyond a year
 - (v) By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance (regulations – Scotland).

The above are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instruments exposure.

Actual treasury performance is required to be reported quarterly.

The annual treasury management strategy which incorporates the prudential indicators was approved by Full Council on 3 March 2022 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2022-23 was set at £606m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £564m. This is the expected level of debt and other long-term liabilities during the year.
- The management of fixed and variable interest rate exposure.
- The maximum and minimum exposures to the maturity structure of debt are shown at Page 10– Treasury Management Limits on Activity.

Risk management is carried out by a central treasury team, under policies approved by South Ayrshire Council in the annual treasury management strategy. South Ayrshire Council provides 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 cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Following the fiscal events of autumn 2022 and the subsequent period of significant market volatility the impact on the financial instruments held has been considered and included within the credit risk disclosures.

The risks associated with banks and financial institutions are minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Standard & Poor's, Fitch and Moody's Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits for investment in respect of each financial institution.

The Council uses the creditworthiness service provided by Link Group. This service uses a sophisticated modelling approach, with credit ratings from three credit rating agencies 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.
- sovereign ratings to select counterparties from only the most creditworthy countries.

The full Treasury and Investment Strategy for 2022-23 was approved by Council on 3 March 2022 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its cash investments in banks and building societies of £43.155m 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 of the Council's deposits, but there was no evidence at 31 March 2023 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Expected Credit Loss calculation under IFRS 9 does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil.

The Council's gross debtor (excluding council tax and non-domestic rate income) was £49.199m (2021-22 £51.749m) against which a provision of £9.915m (2021-22 £8.755m) was made for bad and doubtful debts. Based on historical experience, the Council has therefore fully provided for its estimated maximum exposure to default and non-collectability.

The Council does not generally allow credit for customers, such that £10.706m of the £49.199m gross debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2022-2023	2021-2022
	£'000	£'000
Less than three months	514	407
Three to six months	369	72
Six months to one year	2,358	2,130
More than one year	7,466	3,644
Total	10,706	6,253

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the Public Works Loan Board (PWL) and money markets for access to longer term funding. The Council is 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 it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing on money market deposit are repayable in less than one year.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council 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 maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's 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 either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's 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 needs.

The Council's main source of borrowing is HM Treasury's Public Works Loan Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 25% of long-term loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of prudent planning of new loans taken out and where it is economic to do so, making early repayments.

The indicator for maturing debt (within one year) is 3% below the indicator, due to the strategy in 2022-23 of borrowing in the short-term markets and longer term PWLB borrowing.

The maturity of Lender Option/Borrower Option (LOBO) loans are disclosed in the under-noted table at original redemption date

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period

	Maturity limit	Maturing debt Maturing in period	Actual 2022-2023	Actual 2021-2022
	%	%	£'000	£'000
Less than one year	25	24	83,725	64,049
Between one and two years	25	3	11,570	13,725
Between two and five years	50	6	19,909	5,075
Between five and ten years	75	6	20,507	15,410
More than ten years	90	61	219,673	191,174
Principal element of borrowing		100	355,384	289,433

Market Risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement 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 reflected in Other Comprehensive Income and Expenditure Statement.

The Council has several strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council’s prudential and treasury indicators and its 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 rate interest rate exposure. The central treasury team will monitor interest rates within the year to adjust exposures accordingly. 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 rate 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:

Notional impact on the surplus or deficit on the provision of services:	Actual 2022-2023 £000	Actual 2021-2022 £000
Increase in interest payable on variable rate borrowings	945	796
Increase in interest receivable on variable rate investments	(248)	(223)
	697	573

Other presentational changes	Actual 2022-2023 £000	Actual 2021-2022 £000
Decrease in “fair value” of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	26,295	42,624

The 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 10 – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council does not generally invest in equity shares but does have a shareholding to the value of £0.781m in Freeport (Scotland) Ltd, which allows the Council voting rights within the company. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for ‘open book’ arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The shares have been classified as ‘Fair Value through Other Comprehensive Income’, meaning that all movements in price will impact on gains and losses recognised in the Financial Instrument Revaluation Reserve.

Foreign Exchange Risk

The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

Section 7: Policies, Judgements and Assumptions

Note 31: Significant accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2022-2023 financial year and its financial position at the year end of 31 March 2023. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires such 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* and are supported by *International Financial Reporting Standards (IFRS)*.

The Code is issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Annual Accounts are prepared on a 'going concern' basis.

2. Accruals of expenditure and income

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

- All known specific and material sums payable to the Council have been brought into account. Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract, in line with *IFRS 15 Revenues from Contracts with Customers*;
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the service is received rather than when payments are made;
- Interest payable on borrowings and receivable on investments 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. Interest receivable and dividend income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Charges to revenue for non-current assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to Loans Fund principal charges. Depreciation, impairment losses and amortisations are therefore replaced by Loans Fund principal charges in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

4. 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 are readily convertible to known amounts of cash with insignificant risk of change in value. In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

5. Employee benefits

Benefits payable during employment

Short term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned during the year are included in the Annual Accounts irrespective of when payment was made. The Council has made provision for the costs of any potential employee related claims. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable because of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy. These termination benefits are charged on an accruals basis as an expense in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to a termination; when it has a detailed formal plan for the termination, and it is without realistic possibility of withdrawal.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-employment benefits

As part of the terms and conditions of employment of its employees, South Ayrshire Council offers retirement benefits. The Council participates in two separate pension schemes, one exclusive to teachers and the other open to all its other employees:

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency;
- The Local Government Pension Scheme, administered by Strathclyde Pension Fund.

Both schemes provide "defined benefits" to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a "defined contributions" scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government pension scheme

The Local Government Pension Scheme (LGPS) is accounted for as a “defined benefit” scheme:

- The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the “projected credit unit method” i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate used by the appointed actuaries to place a value on the liability.
- The assets of the Strathclyde Pension Fund attributable to South Ayrshire Council are included in the Balance Sheet at their fair value at current bid prices for quoted securities, estimated fair value for unquoted securities and market price for property.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - *Current service cost*: The increase in liabilities because of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
 - *Past service cost*: The increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.
 - *Net interest on the net defined benefit liability (asset), i.e. net interest expenses for the Council*: The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, considering any changes in the net defined liability (asset) during the period because of contribution and benefit payments.
- Re-measurements comprising:
 - *The return on plan assets*: Excluding amounts included in the net interest on the net defined benefit liability (asset), charged to the Pension Reserve as other comprehensive income and expenditure.
 - *Actuarial gains and losses*: Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions, charged to the Pensions Reserve as other comprehensive income and expenditure.
 - *Contributions paid to the Strathclyde Pension Fund*: Cash paid as employer’s contributions to the pension fund in settlements of liabilities; not accounted for as an expense.

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

Discretionary benefits

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

6. Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI)

The Council's 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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principle received (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made (loans to organisations at less than market rates), a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of the soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustments Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financial and Investment Income and Expenditure line in CIES.

Financial assets measured at fair value through profit or loss

Financial assets that are measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

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

The outputs of 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 Council 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 assets.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Provisions, Contingent Liabilities and Contingent Assets.

Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant fair value through other comprehensive income) 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 by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might 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.

7. Financial liabilities

Borrowing

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

8. Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient, as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the Comprehensive Income and Expenditure Statement.

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

9. Leases

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

The Council as Lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease fair value measured at the lease's inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement)

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property over the term of the lease. Charges are made on a straight-line basis over the life of the lease.

The Council as Lessor

Operating leases

The Council as landlord has granted commercial leases of premises and sites to various tenants on a variety of lease terms. The arrangements are accounted for as operating leases. Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. The rental income receivable is included in the Comprehensive Income and Expenditure Statement.

10. Prior period adjustments, changes in accounting policies and estimation and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment. There were no prior period adjustments relating to the financial year 2022-2023.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

11. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, plant and equipment is capitalised on an accrual's basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Plant, furniture and computer equipment costing less than £6,000 are not treated as property, plant and equipment and are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement. This de minimis does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

In respect of Component accounting, the assessment of which components are recognised and depreciated separately is based upon the costs of each component. Significance will be determined by comparing the components cost against the overall cost of an asset. The threshold for a significant component shall be 25% of the overall cost of the asset but only where the overall value of the asset is in excess of £1.000m.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets, and assets under construction: depreciated historical cost.
- dwellings: current value determined using the basis of existing use value for social housing (EUV-SH).
- council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the Council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.

- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; and
- all other assets: current value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current 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 that have short useful lives or low values, depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. In addition, to ensure that the carrying amount of assets held in the balance sheet at the year-end does not differ materially from the current value at that date, revaluation evidence from properties valued during the year together with appropriate industry indices is considered to determine if a material change in valuation has occurred during the year. Where a material change has been determined then all assets not valued during the year within the given category are adjusted using the assessed current value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Property valuations are carried out by The Royal Institution of Chartered Surveyors (RICS) professional staff within the Council's Directorate of Resources, Governance and Organisation or their appointed agent.

Impairment

Where indications exist that an asset may be impaired and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and non-current assets held for sale

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e., netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off value of disposal is not a charge against the council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Disposal and Derecognition of Infrastructure Assets

When a component of an infrastructure asset 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. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of the disposal).

The written-off amounts of disposals are not a charge against the 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 any part of infrastructure assets 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.

Depreciation

Depreciation is provided for on all Property, plant and equipment assets by the systematic 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 community assets), investment assets and assets that are not yet available for use (i.e., assets under construction).

Depreciation is charged on a straight-line basis over the useful life of the assets. Depreciation is not charged in the year of acquisition but is charged in the year of disposal. The periods of depreciation and categories of assets are detailed within Note 7 of the Annual Accounts.

Where a material item of Property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council approved policy for material assets with a value in excess of £1.000m. Significant components are deemed to be those whose cost is 25% or more of the total cost of the asset.

12. Public Private Partnerships

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI operator. As the Council is deemed to control the services that are provided under its schools PFI scheme and as ownership of the schools will pass to the Council at the end of the contracts for no additional charge, the accounting regulations (*IFRIC12 Service Concession Arrangements*) require that the Council recognises the three primary schools, two secondary schools and an annex to an existing secondary school opened between 2007-2008 and 2009-2010, the new Ayr Academy opened in 2017-2018 and the new Queen Margaret Academy opened in 2019-2020, as part of Property, plant and equipment on its Balance Sheet.

The original recognition of the schools PFI assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The schools PFI assets are re-valued and depreciated in the same way as other non-current assets owned by the Council. The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the service received during the year – debited to the relevant service in the Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income & Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income & Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PPP contractor; and
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet.

Service Concession Arrangement flexibility application

The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement (SCA) flexibility that related to the Council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made which results in a one-off credit to the General Fund and ongoing annual savings for a period of time. In the remaining years following the end of the SCAs, the rescheduled debt repayments continue until the debt liability has been extinguished. The Statutory Regulation in relation to this matter, Local Government Finance Circular 10/2022 (FC 10/2022), was published in September 2022.

FC 10/2022 replaces the 2010 version that covered this area and permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022.

The Council has applied the permitted change in the calculation of the statutory charge in 2022-23 and the adopted approach has been applied across all three such arrangements held by the Council in line with the key accounting principle of consistency.

The annual unitary charge will continue to be paid to the contractor over the contract period. The guidance applies to principal and not to interest, service charge costs or grant. These will continue to be accounted for over the contract period

Annuity method for revised repayment of debt liability

The recalculation of the debt liability charges applies the annuity method to calculate the revised repayments. This method best represents the consumption of the assets over their useful lives.

This methodology is applied within the Councils current Loans Fund repayment policy. The use of an annuity method for the writing down of the PPP debt liability therefore ensures a consistent approach for the writing down of all debt which is financing capital expenditure, in that;

- The annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now.
- The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, considering the real value of the amounts when they fall due.
- The annuity method is a prudent basis for providing for assets that provided a steady flow of benefits over their useful life.'

Useful Economic Life

The most appropriate asset life for the calculation is considered to be 40 years which replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools. The Council's Loans Fund methodology use a Useful Economic Life (UEL) of 40 years when calculating the repayment of debt liability for borrowing to support capital expenditure for similar types of assets. The proposed application a UEL of 40 years for the three SCAs arrangements is therefore considered consistent with current council methodology.

Capital Financing Requirement

The reprofiling of the debt liability repayments over the life of the asset rather than the life of the contract increases the Capital Financing Requirement (CFR) as at 1 April 2022. The increase in the CFR will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period.

Accounting Treatment

The statutory adjustment can be made as at 1 April in the year the revised repayments are applied. This option has been exercised in 2022-23 and has been applied retrospectively. Being a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2022 results in a retrospective debit to the Capital Adjustment account in 2022-23 with a corresponding credit in the Movement in Reserves Statement within the General Fund. Further in year annual reductions will be applied along similar lines as the retrospective adjustment until the end of the contract period for each of the three SCAs. Thereafter the revised charges will result in higher cost being charged to the General fund that the current repayment profile until the end of the UEL.

13. Provisions, contingent assets and liabilities

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

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

Contingent assets and liabilities

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

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts where they are deemed material.

14. Reserves

Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Reserves are classified under accounting regulations into two broad categories – **usable** which are available to support services and **unusable** which are unrealised and have a deferred impact on taxation.

Usable reserves

The Council has several statutory reserve funds within this category. The Insurance Fund is earmarked for insurance purposes. The Repairs and Renewal Fund provides funds to facilitate asset improvements and efficiencies in future years. The Capital Fund is used to meet the costs of capital investment in assets and for the repayment of the principal element of borrowings. The Council also holds two further reserves within this category, the Capital Grants Unapplied Account which hold capital grants which have been received but have not yet been utilised to fund capital expenditure and the Capital Receipts Reserve which holds capital receipts which have not yet been used to fund capital expenditure.

Unusable reserves

Certain reserves are kept managing the accounting processes for non-current assets, financial instruments and retirement benefits that do not represent usable resources for the Council.

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

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

The Pensions Reserve arises from IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council's share of the Pension Fund liability chargeable to the Comprehensive Income and Expenditure Statement.

The Employee Statutory Adjustment Account absorbs the difference that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g., annual leave entitlement carried forward on 31 March each year.

15. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

16. VAT

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

17. Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Note 32: Accounting standards issued not adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2023-2024 Code by the Council on 1 April 2023:

- **Amendments to IAS 1:** Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IAS 8:** Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IAS 12:** Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Applicable for periods beginning on or after 1 January 2023.
- **Amendments to IFRS 3:** Updating a Reference to the Conceptual Framework. Applicable for periods beginning on or after 1 January 2023.

The Council does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by the Local Government Accounting Code from 1 April 2024, with local authorities having the option to adopt early. It is the Council's intention to implement IFRS 16 on 1 April 2024. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

The bringing of leased assets onto the Balance Sheet will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Due to the need to reassess lease calculations, together with uncertainty around expected future leasing activity, a quantification of the expected impact of applying the standard in 2023-24 is currently impracticable.

Note 33: Critical judgements in applying accounting policies

In applying the Significant Accounting Policies set out in Section 7 Note 30 to these accounts on pages 81 to 93, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Annual Accounts are:

Future funding levels: There remains a degree of uncertainty about future levels of funding for local government in Scotland. However, the Council has determined that this uncertainty is not yet sufficient to indicate that its assets might be impaired as a result of any future requirement to close facilities and reduce levels of service provision, based on the judgement that its ability to deliver efficiency savings will continue to provide sufficient resources to finance future liabilities. Accordingly, the Annual Accounts have been prepared on a 'going concern' basis.

Provisions and contingent liabilities: The Council has considered its 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 appropriate, legal opinion has been sought. Judgements include assessments of the extent to which (or if at all) obligations exist and of local and/ or national factors that might influence the amount of any such obligation. Where it has not been possible to measure the obligation or it is not probable in the Council's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 29.

Public Private Partnership: The Council has determined that it controls the services provided under the Public Private Partnership (PPP) School contracts and the residual value of the schools at the end of the agreements. The accounting policies relating to PPP and similar contracts have been applied to these arrangements and the assets under the contracts are recognised as PPE on the Council's Balance Sheet.

Asset valuations: Assets held at current value are revalued on a five-year rolling basis. The Council considers that at any point during that cycle, the carrying value does not differ materially from that which would be determined using current value.

Agency income and expenditure: The Council considers the degree of control it has over how funding received is utilised. Where the Council has no discretion over the application of funding, it deems that it is acting as an agent and consequently, neither such funding nor its associated expenditure is recognised in the Comprehensive Income and Expenditure Statement, with any amounts owed to/by the Council recorded in the Balance Sheet (refer to Note 19).

Note 34: Assumptions made about the future and other major sources of estimation uncertainty

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering 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 Council's Balance Sheet at 31 March 2023, for which there is a significant risk of material adjustment in the forthcoming financial year, are as follows:

Pension liability

Uncertainties: estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.

Effect if the results differ from assumption: The effects on the net pension's asset of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the real discount rate would result in a reduction of £13.282m in the pension asset.

Property, Plant and Equipment

Uncertainties: Valuation - The Council's assets are valued over a five-year rolling programme, with valuation assumptions ascertained by professional valuers who have considered the potential uncertainty regarding asset valuations arising from the current economic climate. Useful lives - assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any decision to increase or reduce expenditure in this area could affect the useful lives of assets.

Effect if the results differ from assumption: Valuation – during 2022-2023 assets that were revalued now hold a value of £378.450m on the Balance Sheet. The impact of a 1% change in these valuations would change the value of those assets by £3.785m. Useful lives - if the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £2.564m if useful lives were reduced by one year.

Public Private Partnership (PPP)

Uncertainties: The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contract are included within Property, plant and equipment on the Council's Balance Sheet. In terms of financial modelling, RPI and RPIX indices are used.

Effect if results differ from assumptions: Any increase in these indices above that which are set in the funding model will require the Council to identify and allocate additional funding to the scheme. For instance, a 0.5% increase in the index rate used in the model would result in an increase of £13.217m in unitary charge payments over the remaining term of the arrangements.

Collection levels of arrears

Uncertainties: At 31 March 2023, the Council had a balance of trade receivables, excluding Council Tax and Non-domestic rates, of £31.417m. A review of significant balances suggested that an allowance for potential impairment losses of £9.498m was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.

Effect if results differ from assumptions: If collection rates were to deteriorate, a 10% increase in the amount of potential impairment losses would require an additional amount of £0.950m to be set aside as an allowance.

Section 8: Housing Revenue Account

The Housing Revenue Account (HRA) reflects the statutory requirement to account separately for local authority housing provision, as specified in the Housing (Scotland) Act 1987. Any surplus or deficit on the HRA is ring-fenced for carry forward as part of the HRA accumulated financial position.

I) HRA Income and Expenditure Statement for the year ended 31 March 2023

The HRA Income and Expenditure Statement summarises expenditure on repairs, maintenance and management of the Council's housing stock and how this was funded by rental income and other charges for services during the year.

2021-22 £'000	Expenditure	2022-23 £'000	2022-23 £'000
11,969	Repairs and maintenance	14,070	
6,938	Supervision and management	7,414	
15,715	Depreciation and impairment of property, plant and equipment	12,284	
1,141	Other expenditure	1,199	
187	Increase in bad debt provision	281	
35,950	Total expenditure		35,248
	Income		
(31,926)	Dwelling rents	(32,635)	
(349)	Non-dwelling rents	(374)	
(557)	Other income	(685)	
(32,832)	Total income		(33,694)
3,118	Net expenditure from HRA service		1,554
132	HRA share of Corporate and Democratic Core		138
3,250	Net expenditure for HRA services (as recorded in the Council's Comprehensive Income and Expenditure Statement)		1,692
	Other Operating Expenditure		
1	(Gain) or loss on sale of HRA non-current assets		3
2,244	Interest payable and similar charges		2,360
(67)	Interest and investment income		(214)
83	Net interest on the net defined benefit liability		25
(1,139)	Non-specific grant income		(10,031)
4,372	Deficit/(surplus) for the year on HRA services		(6,165)

II) Movement on the HRA Statement for the year ended 31 March 2023

The Movement on the HRA Statement shows the movement in the year on the HRA usable reserves. The surplus or (deficit) on the provision of HRA services shows how the HRA Income and Expenditure Statement reconciles to the movement on the HRA Reserve.

2021-2022 £'000		2022-2023 £'000
(14,254)	Balance on the HRA at the end of the previous year	(9,531)
4,372	Deficit/(surplus) for the year on the HRA Income and Expenditure Statement	(6,165)
351	Adjustments between accounting basis and funding basis under statute*	12,417
4,723	Net decrease/(increase) in HRA balance	6,253
(9,531)	Balance on the HRA at the end of the current year	(3,279)

*Represents net movement of all adjustments

Note 1: Provisions

A provision of £1.133m (2021-2022: £0.985m) is included in the Balance Sheet for doubtful debts in respect of mainstream housing rents. During 2022-2023, a total of £0.133m (2021-2022: £0.144m) was written off in respect of housing rent arrears.

Note 2: Accommodation

At 31 March 2023, the Council held various types of accommodation and had the following number and types of houses:

	2022-2023	2021-2022
Type of accommodation		
One and two apartment	2,369	2,599
Three apartment	3,525	3,503
Four apartment	1,990	1,981
Five or more apartment	171	171
	8,055	8,254
	2022-2023	2021-2022
Area of accommodation		
Ayr	4,736	4,933
Troon	962	965
Prestwick	733	732
Maybole	699	700
Girvan	925	924
	8,055	8,254

Note 3: Rent arrears & void property lost rent

At 31 March 2023, rent arrears amounted to £1.748m (2021-2022: £1.587m), being 5.17% (2021-2022: 4.86%) of gross rent collectable. The rental income lost due to void properties amounted to £0.662m in 2022-23 (2021-2022: £0.559m).

Note 4: HRA surplus/ (deficit)

Per the movement on the HRA statement for the year ended 31 March 2023, the deficit for the year of £6.253m, when combined with the accumulated surplus brought forward from 2021-2022 of £9.531m, resulted in a final 2022-23 accumulated surplus of £3.279m at 31 March 2023. £1.213m is required to fund specific capital and revenue projects in future years leaving an uncommitted balance of £2.066m to be held as contingency for future unexpected or emergency situations (a minimum working balance of £2.000m is recommended to be held for this purpose).

Section 9: Collection of Council Tax

The Council Tax Income Account (Scotland) shows the gross income raised from council tax levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

Council Tax Income Account

2021-2022 £'000		2022-2023 £'000
80,575	Gross council tax levied and contributions in lieu	83,654
	Deduct:	
(8,424)	Council tax benefits/reduction (net of government grants)	(8,612)
(9,197)	Other discounts and reductions	(9,670)
(2,071)	Write-off of uncollectable debts and allowances for impairment	(1,971)
60,883	In year council tax income	63,401
(546)	Adjustment to prior years' council tax	709
60,337	Transfer to General Fund	64,110

Note 1: Council tax income

Council tax is based on the value of a domestic property, together with a personal element which considers the number of the property's occupants and their circumstances.

Each property is placed in one of eight valuation bands (A to H) in accordance with their valuation as at 1 April 1991. The council tax charge levied for each property is calculated in proportion to the council tax charge for a Band D property by applying fractions. A discount of 25 per cent on the council tax charge is made where there is only one resident aged 18 or over living in a property, or in some other circumstances where residents can be disregarded. Individuals in care, students and people who are severely mentally impaired are some examples where council tax would not be applicable. Reductions in council tax payable are also granted for disabled people in certain circumstances.

Valuation band	2022-23 Charge per band £
A	922.64
B	1,076.41
C	1,230.19
D	1,383.96
E	1,818.37
F	2,248.94
G	2,710.26
H	3,390.70

The valuation bands used in calculating the council tax payable for each valuation band are set out in the adjacent table.

Councils can vary the rate of council tax discount for unoccupied homes within their area in accordance with the Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2013. From 1 April 2019 owners will pay 200% Council Tax for an empty property that is unoccupied for more than 12 months or up to 2 years if actively marketed for sale or rent. Councils can also vary the rate of council tax discount for second homes in accordance with The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Regulations 2016. From 1 April 2018 owners of second home will pay 100% Council Tax for their second property. An element of the additional income collected from the reduction of discounts for empty properties requires to be transferred for the provision of new-build, affordable social housing in areas determined by the Council.

Additional income of £1.182m (2021-2022: £1.482m) is included within the general fund reserves and earmarked for use in relation to the affordable homes strategy.

Note 2: Calculation of the Council tax charge base 2022-2023

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
Total number of properties	7,263	12,780	8,973	8,595	9,687	5,240	3,351	302	56,191
Less exemptions/deductions	528	466	293	196	198	81	42	5	1,809
Less adjustment for single discount	951	1,395	940	724	693	287	151	5	5,146
Less adjustment for double discount	93	150	118	101	98	49	25	6	640
Reduction in tax base due to Council Tax Reduction	2,387	2,767	1,388	617	369	104	28	1	7,661
Effective number of properties	3,304	8,002	6,234	6,957	8,329	4,719	3,105	285	40,935
Band D equivalent factor (D)	240	280	320	360	473	585	705	882	
Band D equivalent number of properties	2,202	6,224	5,541	6,957	10,943	7,669	6,080	699	46,315
Class 17 & 24 dwellings				3					3
Total	2,202	6,224	5,541	6,960	10,943	7,669	6,080	699	46,318
Less provision for non-collection 3.25 per cent (adjusted for impact of Council Tax Reduction)									1,505
Council tax base 2022-2023									44,813

Section 10: Non-Domestic Rate Account

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

2021-2022		2022-2023
£'000		£'000
58,241	Gross rates levied and contributions in lieu	59,552
	<i>Deduct:</i>	
(27,561)	Reliefs and other deductions	(14,513)
(614)	Write-off of uncollectable debts and allowance for impairment	(901)
30,066	Net non-domestic rate income	44,138
(2,426)	Adjustment to previous years' national non-domestic rates	(2,867)
27,640	Total non-domestic rate income	41,271
National non-domestic rate pool:		
23,358	Non-domestic rate income retained by the authority	30,913
(27,640)	Contribution (to)/ from national non-domestic rate pool	(41,271)
(4,282)		(10,358)

Note 1: Non-Domestic rate income/contribution from national non-domestic rate pool

With effect from 1993-1994, all non-domestic rate income collected by local authorities (from non-domestic ratepayers) is paid into a national pool and redistributed to levying authorities (unitary and island councils) by the Scottish Government.

Note 2: Rateable subjects and values 2022-2023

Commercial subjects	Number	Rateable Value
		£000
Shops	1,395	33,438
Public houses	111	3,417
Offices (Including banks)	844	8,579
Hotels, boarding houses, etc.	71	5,394
Industrial and freight transport subjects	1,015	20,881
Leisure, entertainment, caravans and holiday sites	635	7,148
Garages and petrol stations	93	1,321
Cultural	32	823
Sporting subjects	548	1,043
Education and training	69	9,896
Public service subjects	174	6,655
Communications (non-formula)	17	1,528
Quarries, mines etc.	8	525
Petrochemical	3	57
Religious	89	1,019
Health medical	89	4,391
Other	207	1,249
Care facilities	53	3,330
Advertising	29	62
Undertaking	22	3,450
Total all subjects	5,504	114,206

Rate levied 2022-2023: Rateable value greater than £95,001 – 52.40p, between £51,001 and £95,000 – 51.10p less than or equal to £51,000 – 49.80p

Section 11: Group Accounts

Introduction

The Code of Practice requires local authorities to consider their interest in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Valuation Joint Boards. Local authorities are required to prepare a full set of Group Accounts in addition to their own Council's Accounts where they have a material interest in such entities.

Combining entities

The Council has an interest in two subsidiaries, three associates and one joint venture entity. Further information on each entity is detailed in the notes to the Group Accounts below on pages 103 to 104. The subsidiary, associate and joint venture entities share a common accounting period ending 31 March 2023.

The subsidiaries are The Common Good Fund and Ayr Renaissance LLP. The Council effectively controls 100% of the Common Good Fund, which is overseen by Elected Members through the appropriate Council Panel. Ayr Renaissance LLP is in the process of being wound up, which is expected to be concluded during 2023-2024. Until this process is completed Ayr Renaissance LLP is still being treated as a subsidiary for the purposes of the Group Accounts.

The associate entities incorporated are:

- Strathclyde Partnership for Transport;
- Strathclyde Concessionary Travel Scheme Joint Board; and
- Ayrshire Valuation Joint Board.

The joint venture is:

- South Ayrshire Integration Joint Board.

The associate and joint venture entities are independent Joint Boards whose function is to provide services on behalf of its constituent councils. The representative members of each Board are elected Councillors appointed by constituent authorities. The Council has one Member representing its interests on each of the Transport Authority and Concessionary Travel Scheme Joint Boards, five Members on the Ayrshire Valuation Joint Board and four voting Members on the South Ayrshire Integration Joint Board.

Other entities in which the Council has an interest are not included in the Group Accounts on the basis that they are not considered to be material. These include an associate, Freeport (Scotland) Limited as well as various Trust Funds and Bequests as referred to in Section 14.

Nature of combination

The Council inherited its 100% interest in the Common Good Fund from Kyle & Carrick District Council following the re-organisation of local government in 1996. Ayr Renaissance LLP was established by South Ayrshire Council as a separate arm's length, Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. The subsidiaries have been consolidated into the Group Accounts on an acquisition basis. Shares of the associate companies have also been accounted for on an acquisition basis using the equity method – the Council's share of the net assets or liabilities of each entity is incorporated and adjusted each year by the Council's share of the entities' results (recognised in the Group Reserve), and its share of other gains & losses. The Council has not paid any consideration for its interests and thus there is no goodwill involved in the acquisitions. The joint venture has been consolidated in the Group Accounts on a gross equity basis.

Financial impact of consolidation

The inclusion of the Council's share of assets and liabilities for subsidiary, associate and joint venture entities in the Group Balance Sheet resulted in an increase in reserves and net assets to £531.284m compared with £481.272m for the Council (2021-22: Group £492.646m compared with Council £436.835m). The Core Financial Statements of the Group have been incorporated as additional columns in the main financial statements of South Ayrshire Council contained on pages 40 to 44.

Notes to the Group Accounts

The notes required for the Annual Accounts of South Ayrshire Council as the holding entity are disclosed separately within the financial statements on pages 40 to 81. The following notes provide additional information in relation to other combining entries.

Note 1: Accounting policies

The Group financial statements are prepared in accordance with the policies set out in the Significant Accounting Policies, Note 31 Section 7 to these accounts on pages 82 to 94.

Note 2: Balances held between the Council and its associates

In accordance with UK accounting standards, no adjustments have been made in the Group Accounts for transactions conducted and balances held between the Council and its associates.

Note 3: Details of combining entities

In addition to the information contained in the Group Accounts element of South Ayrshire's Core Financial Statements on pages 40 to 44, the accounting regulations require specific disclosures about the combining entities and the nature of their business.

The Common Good Fund was inherited by South Ayrshire Council from Kyle & Carrick District Council following the 1996 local government re-organisation. The Fund comprises five distinct sub-funds: Ayr, Prestwick, Troon, Maybole and Girvan. The Council controls 100% of the fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from annual income or reserves.

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy on behalf of the twelve local authorities in the West of Scotland. The majority of its funding comes directly from the Scottish Government to fund the Rail Franchise payment and to ensure the delivery of rail services within the Board's area as specified in the rail franchise agreement. In 2022-2023, South Ayrshire Council contributed £1.783m or 5.00% (2021-2022: £1.799m) of the Board's estimated running costs. Its share of the year-end net asset of £23.720m (2021-2022: £24.398m) is included in the Group Balance Sheet. Copies of Strathclyde Partnership for Transport accounts may be obtained from the Treasurer of Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Board comprises the twelve local authorities in the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the scheme are met by the twelve local authorities and by a grant from the Scottish Executive. The Strathclyde Passenger Transport Executive administers the scheme on behalf of the Board. In 2022-2023, South Ayrshire Council contributed £0.263m or 6.49% (2021-2022: £0.265m) of the Board's estimated running costs. Its share of the year-end net asset of £0.327m (2021-2022: £0.300m) is included in the Group Balance Sheet. Copies of Strathclyde Concessionary Travel Scheme's accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, 131 St Vincent Street, Glasgow G2 5JF.

Ayrshire Valuation Joint Board was established in 1996 at local government re-organisation by Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three Councils of East, North and South Ayrshire. The Board's running costs are met by the three-member Councils. Surpluses or deficits on the Board's operations are shared between the Councils. In 2022-2023, South Ayrshire Council contributed £0.859m or 33.33% (2021-22: £0.859m) of the Board's estimated running costs. Its share of the year-end net asset of £1.778m (2021-2022: £1.778m) is included in the Group Balance Sheet. Copies of Ayrshire Valuation Joint Board's accounts may be obtained from the Treasurer to Ayrshire Valuation Joint Board, County Buildings, Wellington Square, Ayr KA7 1DR.

Ayr Renaissance LLP was established by South Ayrshire Council as a separate arm's length, Limited Liability Partnership, with the purpose of regenerating Ayr Town Centre. It has two members, namely the Council (which is entitled to 99.999% share of profits) and SAC (LLP Nominees) Limited, a nominee company wholly owned by South Ayrshire Council. The organisation's running costs were met by South Ayrshire Council by way of an annual revenue contribution. South Ayrshire Council contributed £0.002m for running costs during 2022-2023 (2021-22: £0.006m).

South Ayrshire Integration Joint Board was established following the submission of three Integration Schemes from Ayrshire, the Cabinet Secretary for Health, Wellbeing and Sport signed the Parliamentary Order in March 2015 which enabled the establishment of new Health and Social Care Partnerships. The new integrated partnerships combine the resources and expertise from local Councils, the NHS, and a number of other stakeholders to deliver key health and social care services where they are needed most. The South Ayrshire Integration Joint Board was formally established on 1 April 2015. South Ayrshire Council controlled 50% of the Boards resources in 2022-2023 on a Joint Venture equity basis.

The following table details the main elements of South Ayrshire Council's share of assets, liabilities and revenues of its Subsidiary and Associates entities.

Share of Subsidiary and Associate - Assets and Liabilities 2022-2023

	Common Good Funds	Strathclyde Passenger for Transport	Strathclyde Concessionary Travel Scheme	Ayrshire Valuation Joint Board	Ayr Renaissance LLP	South Ayrshire IJB
	£'000	£'000	£'000	£'000	£'000	£'000
Share of assets	14,967	25,014	349	634	692	9,915
Share of liabilities	(87)	(1,294)	(22)	(59)	(107)	-
Share of revenues	(741)	(3,820)	(263)	(866)	(2)	(134,096)
Share of (surplus)/deficit	139	(389)	(28)	175	-	(2,982)

Share of Subsidiary and Associate - Assets and Liabilities 2021-2022

	Common Good Funds	Strathclyde Passenger for Transport	Strathclyde Concessionary Travel Scheme	Ayrshire Valuation Joint Board	Ayr Renaissance LLP	South Ayrshire IJB
	£'000	£'000	£'000	£'000	£'000	£'000
Share of assets	14,407	25,380	335	1,829	690	14,352
Share of liabilities	(109)	(982)	(35)	(51)	(105)	-
Share of revenues	(730)	(3,820)	(266)	(865)	(6)	(137,677)
Share of (surplus)/deficit	40	(362)	(74)	177	-	(9,249)

Note 4: Contingent liabilities

At 31 March 2023 the Council had no share of contingent liabilities in any of its associate entities.

Section 12: Common Good Fund Accounts

The Common Good Fund was inherited by the Council from Kyle and Carrick District Council in 1996 following local government re-organisation. The Fund comprises five distinct sub-funds: Ayr, Troon, Prestwick, Maybole and Girvan. The Council controls 100% of the Fund and administers it for the interest and benefit of the people in the aforementioned areas. All expenditure is met from income or reserves.

I) Movement in Common Good Reserves Statement for the year ended 31 March 2023

2022-2023

	Revenue reserve £'000	Capital receipts reserve £'000	Total usable reserve £'000	Revaluation reserve £'000	Total unusable reserve £'000	Total reserves £'000
Balance at 31 March 2022	355	931	1,286	13,112	13,112	14,398
Movement in reserves during 2022-2023						
(Deficit) on the provision of services	(139)	-	(139)	-	-	(139)
Other comprehensive income and expenditure	-	(195)	(195)	816	816	621
Increase/ (Decrease) in 2022-2023	(139)	(195)	(334)	816	816	482
Balance at 31 March 2023	216	736	952	13,928	13,928	14,880

2021-2022

	Revenue reserve £'000	Capital receipts reserve £'000	Total usable reserve £'000	Revaluation reserve £'000	Total Unusable reserve £'000	Total reserves £'000
Balance at 31 March 2021	395	938	1,333	13,744	13,744	15,077
Movement in reserves during 2021-2022						
(Deficit) on the provision of services	(40)	-	(40)	-	-	(40)
Other comprehensive income and expenditure	-	(7)	(7)	(632)	(632)	(639)
Increase/ (Decrease) in 2021-2022	(40)	(7)	(47)	(632)	(632)	(679)
Balance at 31 March 2022	355	931	1,286	13,112	13,112	14,398

II) Common Good Income and Expenditure Account for the year ended 31 March 2023

2021-2022 £'000	Ayr £'000	Prestwick £'000	Troon £'000	Maybole £'000	Girvan £'000	2022-2023 £'000
Expenditure						
701	694	52	-	-	51	797
1	-	-	-	-	-	-
67	83	-	-	-	-	83
769	777	52	-	-	51	880
Income						
722	635	30	-	-	51	716
7	21	4	-	-	-	25
729	656	34	-	-	51	741
(40)	(121)	(18)	-	-	-	(139)
395	56	253	35	2	9	355
355	(65)	235	35	2	9	216

III) Common Good Balance Sheet as at 31 March 2023

31 March 2022		31 March 2023
£'000		£'000
13,318	Property, plant and equipment	14,135
13,318	Non-current assets	14,135
2	Inventory	2
1,187	Loans fund investment	830
1,189	Current assets	832
(58)	Creditors	(37)
(20)	Provisions	(20)
(31)	Deferred income	(30)
(109)	Current liabilities	(87)
14,398	Net assets	14,880
1,286	Usable Reserves - Revenue and Capital reserves	952
13,112	Unusable Reserve - Revaluation Reserve	13,928
14,398	Net reserves	14,880

Note 1: Valuation of Property, Plant and Equipment

Property valuations were carried out by RICS professional staff within the Council or by qualified third party agencies contracted by the Council and are at valuation dates between 2018-2019 and 2022-2023, dependent on the category of asset. Further detail on the property valuation methodology is as described in Accounting Policy 11 contained in Section 7: Policies, Judgements and Assumptions, Note 31.

Note 2: Movement in Property, Plant and Equipment

2022-2023 Movements	Ayr	Prestwick	Troon	Girvan	Total
	£'000	£'000	£'000	£'000	£'000
Value as 1 April 2022	12,511	633	162	11	13,317
Revaluations, impairments and transfers	747	70	-	-	817
Value as at 31 March 2023	13,258	703	162	11	14,134

No depreciation is charged on Common Good assets as they comprise land, investment buildings and community assets.

Note 3: Usable capital receipts reserve

This reserve represents the proceeds of disposals of Common Good assets less any capital expenditure.

Note 4: Revaluation reserve

This represents the difference between the costs of property, plant and equipment and the valuations adjusted for disposals.

Section 13: Trust Fund Accounts

The Council administers Trust Funds and Bequests from local benefactors from which payments are made for specific purposes. The number of Trusts at 31 March 2023 was 56, of which 51 are under the control of South Ayrshire Councillors (ex-officio) and five are partly controlled by external trustees. The following tables summarise those Trusts which are controlled solely by South Ayrshire Councillors:

2021-2022		Registered charitable trusts	Other trusts	2022-2023
£'000	Revenue accounts	£'000	£'000	£'000
400	Opening balance	117	239	356
5	Income for year	3	9	12
(49)	Expenditure during year	(52)	(9)	(61)
356	Closing balance	68	239	307
Balance Sheet as at 31 March				
Assets				
123	Investments	17	101	118
395	Current assets	72	274	346
518	Total assets	89	375	464
Reserves				
356	Revenue	68	239	307
69	Available for sale financial instrument reserve	1	64	65
93	Capital reserve	20	72	92
518	Total reserves	89	375	464

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2023, split between those trusts with charitable status and those without.

Charitable Trusts

Name	Original Purpose	Loans Fund Investment	External Investment	Total
		£'000	£'000	£'000
South Ayrshire Charitable Trust (SC045677)	The prevention and relief of poverty and relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantages.	30	14	44
South Ayrshire Council Charitable Trusts (SC025088)	Various educational purposes; prizes/bursaries; social purposes; war memorial maintenance.	39	-	39
McKechnie Trust (SC012759)	Founding and operation of library and reading rooms in Dalrymple Street, Girvan (purpose superseded by establishment of local authority public library); McKechnie Institute building is now a museum and exhibition centre	3	3	6
Total charitable trusts		72	17	89

Non-charitable Trusts

Name	Original Purpose	Loans Fund	External	Total
		Investment	Investment	
		£'000	£'000	£'000
John McMaster Bursary Fund	Bursaries for pupils of Girvan Academy to attend Glasgow or Edinburgh Universities for three to five years per conditions of scheme.	154	101	255
Sundry Mortifications	Maintenance of lairs in perpetuity.	48	-	48
Various	Non-charitable Trusts with closing balances of less than £25,000.	72	-	72
Total non-charitable trusts		274	101	375
Total trusts		346	118	464

The table below provides a reconciliation of the movement on investments held by trusts, analysed between those trusts with charitable status and those without.

Charitable Trusts

Capital and Revenue	31 March 2022		Income		Expenditure		31 March 2023		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Total
South Ayrshire Charitable Trust (SC045677)	15	79	-	2	(1)	(51)	14	30	44
South Ayrshire Council Charitable Trusts (SC025088)	4	34	-	1	-	-	4	35	39
McKechnie Trust (SC012759)	3	4	-	-	-	(1)	3	3	6
Total charitable trusts	22	117	-	3	(1)	(52)	21	68	89

Non-charitable Trusts

Capital and Revenue	31 March 2022		Income		Expenditure		31 March 2023		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Total
John McMaster Bursary Fund	104	157	-	6	(3)	(9)	101	154	255
Sundry Mortifications	20	27	-	1	-	-	20	28	48
Non-charitable trusts with closing balances of less than £25,000	16	55	-	1	(1)	-	15	56	71
Total non-charitable	140	239	-	9	(4)	(9)	136	239	375
Total	162	356	-	12	(5)	(61)	157	307	464

Other trusts and bequests

The Council also administers the funds of a further five trusts or bequests that are controlled in part by external trustees with a combined value at 31 March 2023 of £0.930m (2021/22: £0.913m). These trusts or bequests are not included in the above accounts and are not covered by the independent auditor's report at Section 14.

Section 14: Independent auditor's report to the members of South 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 South 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 Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-Domestic Rate Account 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 Head of Finance, ICT and Procurement and the Audit and Governance panel for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance, ICT and Procurement 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 Head of Finance, ICT and Procurement 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 Head of Finance, ICT and Procurement 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 Audit and Governance Panel 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 Head of Finance, ICT and Procurement 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 Head of Finance, ICT and Procurement 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 Head of Finance, ICT and Procurement 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

Section 15: Glossary of Terms

Although the terminology used in the Annual Accounts is intended to be self-explanatory, it may be helpful to readers to provide additional definition and interpretation of the terms used.

Accounting period

The period of time covered by the Annual Accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

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

Actuarial gains and losses (pensions)

For a defined benefit scheme, 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 and losses), or changes in the actuarial assumptions themselves.

Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year.

Associates

These are entities (other than a subsidiary or joint venture) in which the Council has a participating interest or over whose operating and financial policies the Council can exercise significant influence.

Audit of accounts

An independent examination of the Council's financial affairs.

Balance sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Capital expenditure

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Capital financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including: borrowing, leasing, capital receipts, grants, and revenue funding.

Capital programme

The capital schemes the Council intends to carry out over a specified period.

Capital receipt

The proceeds from the disposal of land or other non-current assets.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Community assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are municipal parks.

Consistency

The concept that the accounting treatment of like terms within an accounting period and from one period to the next are the same.

Contingent asset/liability

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Council's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities is thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service.

Creditor

Amounts owed by the Council for work done, goods received, or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Covid-19

Declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020

Current service cost (pension)

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

Debtor

Amount owed to the Council for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined benefit pension scheme

Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Discretionary benefits (pensions)

Retirement awards which the employer has no legal, contractual or constructive obligation to make. These are awarded under the Council's discretionary powers.

Entity

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Fair value

The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less, where applicable, any grants receivable towards the purchase of a useable asset.

Finance lease

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

Government grants

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

IAS

International Accounting Standards.

IFRIC

International Financial Reporting Interpretations Committee.

IFRS

International Financial Reporting Standards.

Impairment

A reduction in the value of a non-current asset to its below carrying amount on the Balance Sheet.

Infrastructure assets

Non-current assets belonging to the Council that cannot be transferred or sold on which expenditure is only recoverable through the continued use of the asset created.

Intangible assets

An intangible (non-physical asset) item may be defined as an asset when access to the future economic benefits it represents is controlled by the Council. This Council's intangible assets comprise solely of computer software licences.

Interest cost (pensions)

For a defined benefit scheme, the expected increase during the period of the scheme liabilities as benefits are one period closer to settlement.

Inventories

Items of raw materials and stores the Council has procured and holds in expectation of future use. Examples are consumables stores, raw materials and products and services in intermediate stages of completion.

Liability

A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period.

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 the cumulative amounts provided for depreciation.

National nondomestic 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.

Non distributed costs

These are overheads from which no user now benefits and as such are not apportioned to services.

Operating lease

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property over the term of the lease. Charges are made on a straight-line basis over the life of the lease.

Past service cost (pensions)

For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods because of the introduction of, or improvement to retirement benefits.

Pension scheme liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post-employment benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment e.g. pensions in retirement.

Prior year adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and over to councils at interest rates only marginally higher than those at which the Government can borrow.

Rateable value

The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

Related parties

Bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. For the Council's purposes, related parties are deemed to include Elected Members, the Chief Executive, the Executive Directors and their close family and household members.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

Residual value

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

Revenue expenditure

The day-to-day expenses of providing services.

Significant interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

Temporary borrowing

Money borrowed for a period of less than one year.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom.

Trust funds

Funds administered by the Council for such purposes as prizes, charities and specific projects.

Useful economic life

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

South Ayrshire Council
County Buildings
Wellington Square
Ayr
KA7 1DR

0300 123 0900
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COUNCIL
Comhairle Siorrachd Àir a Deas
Making a Difference Every Day

**South Ayrshire Council
Charitable Trust Funds**

**2022/23 Trustees' Annual Report
and Financial Statements**



South Ayrshire Council Charitable Trust Funds

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South Ayrshire Council Charitable Trust Funds

Trustees' Annual Report

The Trustees present their Annual Report and Financial Statements in respect of the following charitable trusts, registered with the Office of the Scottish Charity Regulator (OSCR) and administered on behalf of the Trustees by South Ayrshire Council:

SC012759 McKechnie Library Trust (McKechnie)

SC025088 South Ayrshire Council Charitable Trusts (SAC CT)

SC045677 South Ayrshire Charitable Trust (SACT)

Principal address

South Ayrshire Council
County Buildings
Wellington Square
Ayr
KA7 1DR

Auditor

Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
United Kingdom
G2 1BT

Trustees

SAC CT; SACT:

Kenneth Bell (appointed 6 May 2022)
Laura Brennan-Whitefield
Siobhian Brown (resigned 5 May 2022)
Andy Campbell (resigned 5 May 2022)
Douglas Campbell (resigned 5 May 2022)
Iain Campbell
Ian Cavana
Alec Clark
Ian Cochrane
Brian Connolly
Peter Convery (resigned 5 May 2022)
Chris Cullen
Ian Davis
Julie Dettbarn
Martin Dowey
Mark Dixon (appointed 6 May 2022)
Stephen Ferry (appointed 6 May 2022)
Ian Fitzsimmons (resigned 5 May 2022)
William Grant

Peter Henderson (resigned 30 June 2023)
Hugh Hunter
Martin Kilbride (appointed 6 May 2022)
Mary Kilpatrick
Lee Lyons
Craig Mackay
Derek McCabe (resigned 5 May 2022)
Brian McGinley
Helen Moonie (resigned 5 May 2022)
Bob Pollock
Cameron Ramsay (appointed 6 May 2022)
Philip Saxton
Gavin Scott (appointed 6 May 2022)
Bob Shields (appointed 6 May 2022)
Arthur Spurling (resigned 5 May 2022)
Margaret Toner (resigned 5 May 2022)
Duncan Townson (appointed 6 May 2022)
George Weir (appointed 6 May 2022)
(appointed 22 September 2023)

South Ayrshire Council Charitable Trust Funds

Trustees' Annual Report (continued)

Trustees (continued)

McKechnie:

Alec Clark

Ian Fitzsimmons (resigned 5 May 2022)

(appointed 22 September 2023)

Peter Henderson (resigned 30 June 2023)

Gavin Scott (appointed 6 May 2022)

The resignation and appointment of Trustees during May 2022 as noted above was a consequence of the local government election held on 5 May 2022. The appointment of ##### as a Trustee on 22 September 2023 was as a consequence of a local government by-election in Girvan and South Carrick ward.

Founding documents and purpose

McKechnie:

The founding document is a Disposition and Settlement by Thomas McKechnie dated 7 May 1886. The purpose was the founding and operation of a library and reading rooms in Dalrymple Street, Girvan. This purpose was superseded by the establishment of a local authority public library and the McKechnie Institute building owned by the Trust is now a museum and exhibition centre.

SAC CT:

The Trust was set up from Trust document. The purposes of the Trust are to fund maintenance of the War Memorial at Turnberry golf course and prizes/ bursaries for specific schools in South Ayrshire.

SACT:

The Trust was established by the approval of the South Ayrshire Charitable Trust Deed by South Ayrshire Council on 18 December 2014. The purposes of the Trust are:

- a) the prevention and relief of poverty; and
- b) the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage in South Ayrshire.

Within this Trust, funds are restricted by geographical area (refer below). A further restrictive purpose (for relieving ill-health) was previously in place over certain funds within the Troon area; however, these funds have now been fully disbursed.

Trustee recruitment and appointment

McKechnie:

Per the Trust's founding deed, the Trustees are the "Chief Magistrate of Girvan along with the Factor of Bargany Estate". The Trustees are now deemed to be the elected councillors of Girvan and South Carrick ex-officio.

SAC CT; SACT:

The Trustees are Elected Members of South Ayrshire Council ex-officio. Training is provided to Elected Members on the role and responsibilities of Trustees, both in general and specifically related to the objectives of the Trusts. Training is refreshed following local government elections.

South Ayrshire Council Charitable Trust Funds

Trustees' Annual Report (continued)

Summary of main achievements of the Trusts during the financial year

McKechnie:

The McKechnie Institute building is leased to South Ayrshire Council indefinitely, subject to tacit relocation, for the sum of £10 per annum which is not normally requested.

The Trust made no disbursements during the financial year. Funds are held for maintenance of the McKechnie Institute which is leased to South Ayrshire Council on a tenant repairing lease. Accordingly, opportunities for disbursement of the Trust's funds do not frequently present themselves. However, further consideration will be given as to how these funds can best be utilised in the future for the purpose of the Trust.

SAC CT; SACT:

Decisions for the disbursement of funds are delegated to committees of Trustees comprising councillors for the areas of Ayr; Prestwick and Monkton; Troon; Coylton; Maybole; Girvan; and Barr. All funds for Troon, Maybole and Barr are now exhausted and funds remaining for Girvan are held as external investments that South Ayrshire Council officers are working to realise. The remaining committees convene at least annually and through an application process approved the following disbursements in 2022/23:

	Number	Amount £
Ayr	9	45,000
Coylton	1	450
Total	10	45,450

All disbursements were made to various community groups including community interest companies, community groups, churches and foodbanks for a range of projects determined by the committees to be in keeping with the purposes of the Trusts. One disbursement was made to an individual during the year.

Reserves policy

The Trusts have the authority to spend all funds as approved by the Trustees, as restricted by the appropriate geographical area or school. The Trustees' intent is to reduce the Trusts' reserves through the awarding of grants, prizes and bursaries which meet the Trusts' objectives.

At the end of the financial year, unrestricted reserves and reserves with restrictions totalled £72,042 (2021/22: £121,281). A combined deficit of £49,239 was recorded for the financial year (2021/22: deficit of £39,257), primarily due to the decisions taken by the Trustees to expend the Trusts' reserves on their stated objectives and to a lesser extent, the costs of administering the Trusts being greater than income from investments.

The Trusts' reserves are held within South Ayrshire Council's loans fund and external investments.

South Ayrshire Council Charitable Trust Funds

Trustees' Annual Report (continued)

Other information

The Head of Finance, ICT and Procurement for South Ayrshire Council is the designated officer with responsibility for the proper administration of the Trusts' financial affairs and is also responsible for keeping proper accounting records that are up to date and which ensure that financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

The administration of predecessor trusts in the Girvan area to South Ayrshire Charitable Trust transferred to South Ayrshire Council during 2012/13. Difficulties – including the impact in previous years of Covid-19 restrictions – continue to be encountered in transferring these predecessor trusts' assets, as investments continue to be held in the names of former Trustees on behalf of those trust. The process of transferring these shareholdings to the current Trustees remains ongoing and is expected to conclude during 2023/24.

At 31 March 2023, £1,622 of income was received but remained uncashed and not accounted for in the Statement of Receipts and Payments on page 5. When the transfer of shareholdings is complete, all uncashed income will be appropriately accounted for in the Statement of Receipts and Payments in that financial year.

The investment in 3½% War Stock was redeemed but not received as the stock is still held in the names of former trustees. Accordingly, this is shown in the Statement of Balances on page 6 as the stock held remains an asset of South Ayrshire Charitable Trust.

Martin Dowey
Trustee

Alec Clark
Trustee

South Ayrshire Council Charitable Trust Funds

Statement of Receipts and Payments for the year ended 31 March 2023

	Note	SC012759 (McKechnie): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2023 £
Receipts:					
Investment income	6, 9	84	912	1,507	2,503
Total receipts		84	912	1,507	2,503
Payments:					
Grants	7	-	-	(45,450)	(45,450)
Governance costs	10	(133)	(368)	(5,791)	(6,292)
Total payments		(133)	(368)	(51,241)	(51,742)
Surplus/ (deficit) for the year		(49)	544	(49,734)	(49,239)
Comparative information					
	Note	SC012759 (McKechnie): Unrestricted £	SC025088 (SAC CT): Restricted £	SC045677 (SACT): Restricted £	Total 2022 £
Receipts:					
Investment income	6, 9	18	181	826	1,025
Total receipts		18	181	826	1,025
Payments:					
Grants	7	-	-	(31,538)	(31,538)
Governance costs	10	(114)	(226)	(8,404)	(8,744)
Total payments		(114)	(226)	(39,942)	(40,282)
Deficit for the year		(96)	(45)	(39,116)	(39,257)

South Ayrshire Council Charitable Trust Funds

Statement of Balances as at 31 March 2023

	Note	SC012759 McKechnie £	SC025088 SAC CT £	SC045677 SACT £	Total 2023 £
Investments	9	2,586	-	14,700	17,286
Bank and cash:					
Unrestricted funds		3,579	-	-	3,579
Restricted funds	2	-	34,871	29,824	64,695
Permanent endowment funds	3	-	3,768	-	3,768
Total current assets		3,579	38,639	29,824	72,042
Total assets		6,165	38,639	44,524	89,328
Comparative information					
	Note	SC012759 McKechnie £	SC025088 SAC CT £	SC045677 SACT £	Total 2022 £
Investments	9	2,586	-	14,972	17,558
Bank and cash:					
Unrestricted funds		3,627	-	-	3,627
Restricted funds	2	-	34,327	79,559	113,886
Permanent endowment funds	3	-	3,768	-	3,768
Total current assets		3,627	38,095	79,559	121,281
Total assets		6,213	38,095	94,531	138,839

The unaudited financial statements were issued on 28 June 2023. The audited financial statements were authorised for issue and signed on behalf of the Trustees on 27 September 2023.

Martin Dowey
Trustee

Alec Clark
Trustee

Tim Baulk BA Acc CPFA
Head of Finance, ICT and
Procurement

South Ayrshire Council Charitable Trust Funds

Notes to the Financial Statements

1 Basis of financial statements

These financial statements have been prepared on a receipts and payments basis in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006 (as amended). The financial statements are prepared on a going concern basis as the Trustees consider that the Charitable Trusts are financially sustainable for the foreseeable future.

2 Restricted funds

The Trusts' restricted funds are analysed as follows:

	2023 £	2022 £
SC025088 SAC CT	34,871	34,327
SC045677 SACT:		
Ayr	27,086	76,280
Prestwick	414	436
Coylton	-	465
Girvan	2,324	2,378
Total SC045677 SACT	29,824	79,559
Total restricted funds	64,695	113,886

3 Permanent endowment funds

Permanent endowment funds are held with South Ayrshire Council for the benefit of the Trusts as a capital fund. In keeping with the Trusts' reserves policy, redeemed investments continue to be effectively held as a permanent endowment. Income earned from these funds is available for the charitable purposes and is added to unrestricted funds.

4 Taxation

The Trusts are not liable to either income or capital gains tax on their charitable activities. Irrecoverable VAT is included as part of the expense to which it relates.

5 Trustees' remuneration and expenses

No remuneration or expenses were paid to the Trustees or any connected persons during either the current or prior financial year.

South Ayrshire Council Charitable Trust Funds

Notes to the Financial Statements (continued)

6 Related party transactions

The McKechnie Institute is leased to South Ayrshire Council on a full tenant repairing lease. The rental charge of £10 per annum is not currently requested from the lessee.

The Trusts received interest income of £2,323 from South Ayrshire Council during the financial year (2021/22: £691) as analysed below. All financial transactions are made through South Ayrshire Council's bank accounts.

	2023 £	2022 £
SC012759 McKechnie	84	18
SC025088 SAC CT:		
Interest on revenue balances	800	169
Interest on capital balances	112	12
Total SC025088 SAC CT	912	181
SC045677 SACT:		
Ayr	1,249	470
Prestwick and Monkton	10	6
Coylton	11	4
Girvan	57	12
Total SC045677 SACT	1,327	492
Total income from related party transactions	2,323	691

7 Grants

SC045677 SACT:		
Ayr	45,000	25,802
Prestwick and Monkton	-	5,236
Coylton	450	500
Total grants	45,450	31,538

South Ayrshire Council Charitable Trust Funds

Notes to the Financial Statements (continued)

8 Bank and cash balances

During the financial year the Trusts' bank and cash balances were held and administered by South Ayrshire Council on behalf of the Trustees.

9 External investments

	2023 £	2022 £
SC012579 McKechnie:		
£2,586.46 nom value 3½% War Stock (redeemed but not received)	2,586	2,586
SC045677 SACT:		
2088 BMO UK High Income Trust plc (Comp 3A Ordinary and 1B Ordinary)	6,744	7,016
£1,100 nominal value 3% London County Consolidated Stock	616	616
£7,340 nominal value 3½% War Stock (redeemed but not received)	7,340	7,340
Total SACT investments	14,700	14,972
Total investments	17,286	17,558

Investments are entirely in respect of the Girvan area and are valued at market value.

	2023 £	2022 £
Interest received on external investments:		
SC045677 SACT	180	334

South Ayrshire Council Charitable Trust Funds

Notes to the Financial Statements (continued)

10 Governance costs

	2023 £	2022 £
SC012759 McKechnie:		
Preparation of financial statements	78	64
Audit fee	55	50
Total SC012759 McKechnie	133	114
SC025088 SAC CT:		
Preparation of financial statements	313	176
Audit fee	55	50
Total SC025088 SAC CT	368	226
SC045677 SACT:		
Legal and administrative costs	1,500	4,250
Preparation of financial statements	3,301	3,254
Audit fee	990	900
Total SC045677 SACT	5,791	8,404
Total governance costs	6,292	8,744

Governance costs are allocated based on a combination of staff time spent on legal, administrative and financial tasks and the volume of transactions for each Trust.

11 McKechnie Institute

The McKechnie Institute is heritage asset and it is the opinion of the Trustees that it is neither practicable to obtain a valuation at a cost commensurate with the benefits to the users of the financial statements, nor possible to obtain a reliable cost or valuation. Accordingly, the asset is not presently recognised on the Trust's Balance Sheet.

South Ayrshire Council Charitable Trust Funds

Independent auditor's report to the Trustees of South Ayrshire Council Charitable Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of South Ayrshire Council Charitable Trust Funds for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances 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 a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2023 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

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 am independent of the charities 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible for the preparation of financial statements that properly present the receipts and payments of the charities, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 economic 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:

South Ayrshire Council Charitable Trust Funds

- using my understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees concerning the charities' policies and procedures 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 charities' 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

Other information

The Trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual 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 Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report 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 Charity Accounts (Scotland) Regulations 2006.

South Ayrshire Council Charitable Trust Funds

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements 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.

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.

**Andrew Kerr CA
Senior Audit Manager
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT**

Andrew Kerr is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

**South Ayrshire Council
Equality Impact Assessment
Scoping Template**

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

1. Policy details

Policy Title	Final Report on the 2022/23 Audit
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – tim.baulk@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person’s sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children’s Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low

