

Annual

ACCOUNTS

25-26





South Ayrshire Council 2025-26 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 2026.

These accounts offer a clear and accessible look at how we have managed our resources, delivered services, and performed throughout 2025–26. They reflect not just our financial position, but the real impact our work has on the people and communities of South Ayrshire.

South Ayrshire is home to more than 112,000 residents and includes the towns of Troon, Prestwick, Ayr, Maybole and Girvan, along with a network of villages. It's an area rich in heritage and character, known for its stunning coastline, beautiful countryside, and attractions.

As the main provider of essential local services, the council plays a central role in daily life across the area. Our dedicated staff work tirelessly to support communities, deliver high quality services, and make a positive difference every single day.

Our Council Plan 2023–28 sets out a bold vision for the years ahead. 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.

You can read more about our Council Plan on page 5



Cllr Brian Connolly
Leader of South Ayrshire Council



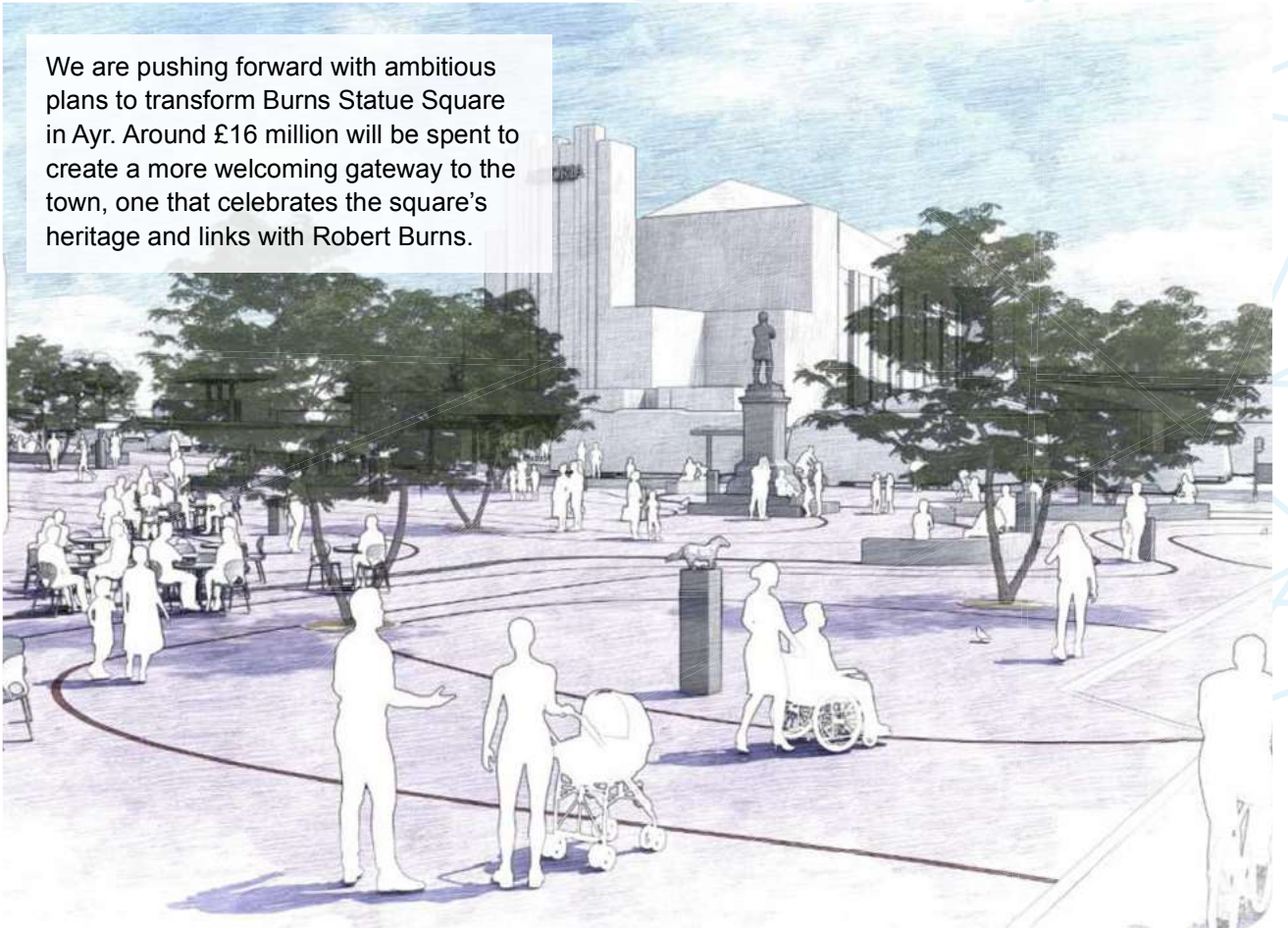
Highlights

of 2025–26 include:



We continue to make significant progress in strengthening our strategic economic assets, with major investment focused on the area surrounding Glasgow Prestwick Airport. Nearly £40 million of our Ayrshire Growth deal funding has been earmarked to enhance commercial infrastructure in and around the airport. In early 2026, Ryanair became the first delivery partner to announce expansion plans, in the form of a new four-bay narrow-bodied aircraft hangar. Further announcements are anticipated during 2026.

We are pushing forward with ambitious plans to transform Burns Statue Square in Ayr. Around £16 million will be spent to create a more welcoming gateway to the town, one that celebrates the square's heritage and links with Robert Burns.





The refurbishment of our leisure facilities continues. Following the successful renovation of Prestwick Leisure Club, memberships are up at the facility. Works to create a new reception, café, gym, and activity hub at the Citadel Leisure Centre in Ayr are well underway. The refurbishment of Troon Leisure Club is also on schedule with the new gym, studio, changing areas and reception due to open in the spring of 2027. At the Quay Zone in Girvan, the phase two extension including the soft play area and café fit out are progressing well.



£189 million will be spent over the next five years to improve our existing housing stock. Another 147 homes are set to be delivered at Riverside Place and Green Street in Ayr and through strategic buy backs.

The Wallacetown part of Ayr is the site of a place based collaboration with Community Planning Partners. The initiative has been set up to address improvements identified by residents. This coordinated approach has strengthened community safety, enhanced overall quality of life for local residents and reduced demand on the emergency services.



Investment in our schools is also a key objective with the new Girvan Primary School due to open in spring / summer 2027. Construction is on target, with foundations complete and steelwork almost finished. Troon Early Years Centre is scheduled to be completed in autumn 2026. There are also refurbishment and extension works at Struthers, Muirhead, Symington, and Dalmilling Primary Schools underway.



South Ayrshire's events programme continues to be central to maintaining the area's position as one of Scotland's leading visitor destinations. Since its launch in 2023, the International Ayr Show – Festival of Flight has grown into one of the country's largest free outdoor events, attracting an estimated 260,000 visitors across its two day programme in 2025. The event has also delivered a significant boost to the local economy, generating a gross direct spend of £17.9 million.



Plans for 2026 and beyond

The last few years have focused on building on the foundations for change that we established through our Council Plan, and the clear vision and direction we have about where we want to be.

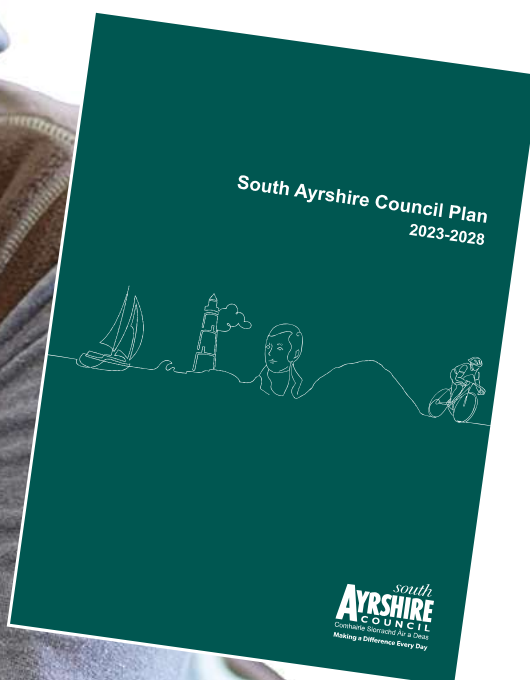
From our new 'budget builder' consultation, we took on board the feedback that people are willing to support a balanced budget strategy for 2026-27 built around a 6% to 8% Council Tax increase, targeted increases in fees and charges, and a focus on efficiencies in back-office and transformation areas. There is a clear public preference to prioritise the protection of frontline and statutory services. There are some positive signs in the steps that this Council has taken to improve sustainability for the future. As shown in the Medium-Term Financial plan presented to the council in February 2026, investments in some of our Leisure facilities and Transformation Work is expected to generate income and cashable benefits for the council in future years. These measures will not only provide residents with top-class facilities but also help in the efficient delivery of services within our means. – allowing us to focus our resources where they are needed most and where they will make the biggest difference.

Council Plan 2023-28

Our Council Plan 2023-28 outlines our key priorities, objectives and ambitions over the next few 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.

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.

You can find out more about our Council Plan by visiting our [website](#).





Delivering the Council's Ambition

In May 2026, Council considered a report on 'Delivering the Council's Ambition' which set out a strategy for increased delivery of the ambitions contained within the current Council Plan and sought approval to establish a Programme of Work, associated strategic boards and supporting reporting arrangements, along with next steps.

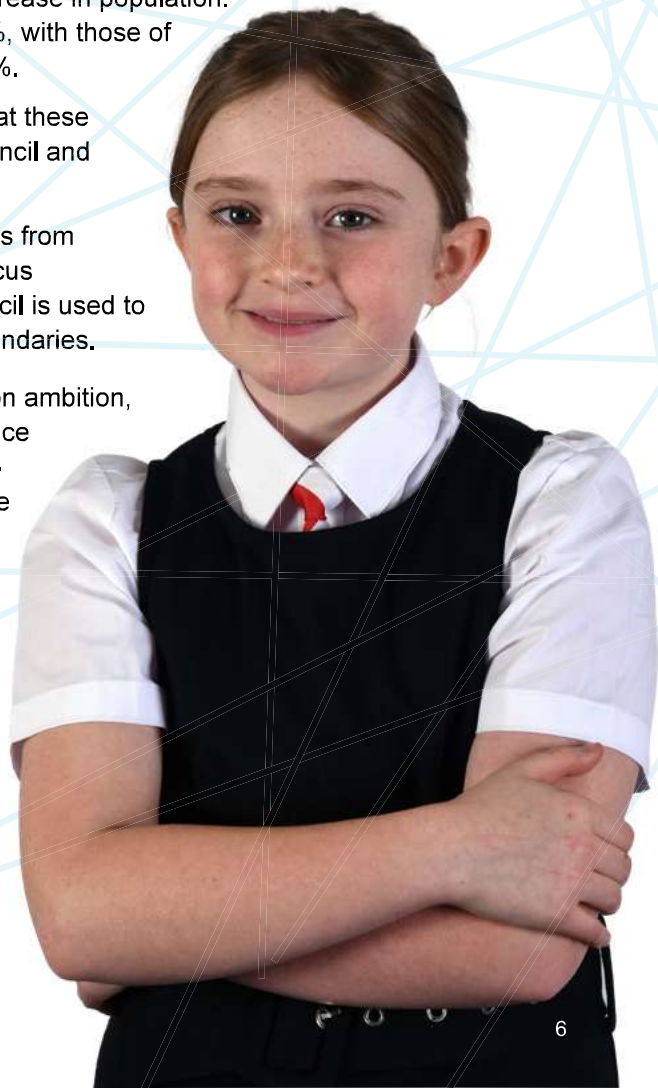
South Ayrshire faces some significant challenges, not least looming demographic issues which will have a significant impact on Council and partner services. By 2032, South Ayrshire is forecast to have a population decrease of 6.5%, one of only nine council areas in Scotland to decrease in population. By 2043, the working age population is forecast to decrease by 14%, with those of pensionable age increasing by 17% and over-75s increasing by 53%.

Should there be no mitigating action, it is considered highly likely that these forecasts will put intolerable and likely unmanageable strain on Council and partner services, while embedding a declining economy.

The Plan considered by Council in May 2026 provides a robust basis from which to move forward and accelerate the pace of change and refocus operational priorities while ensuring the whole resource of the Council is used to maximum effect with no consideration to existing organisational boundaries.

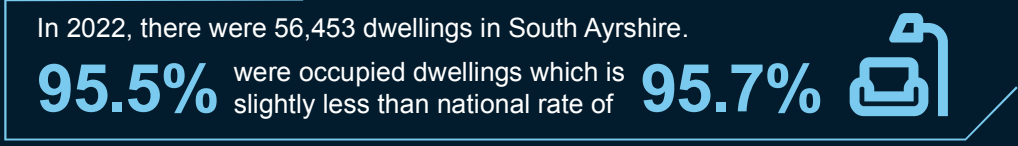
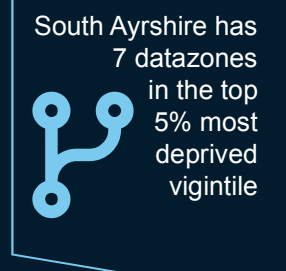
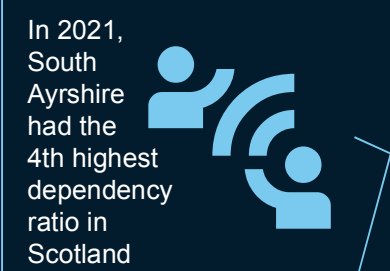
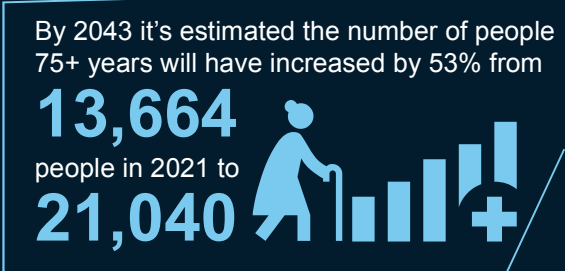
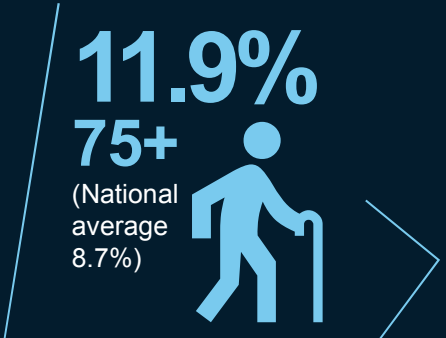
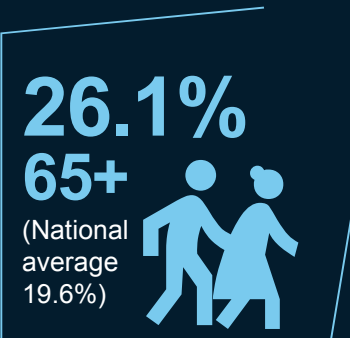
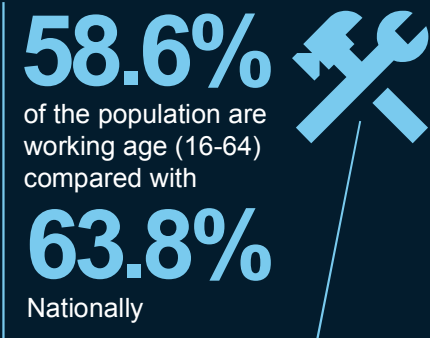
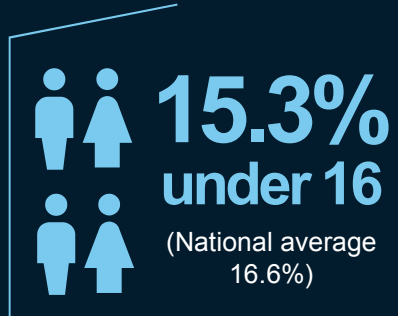
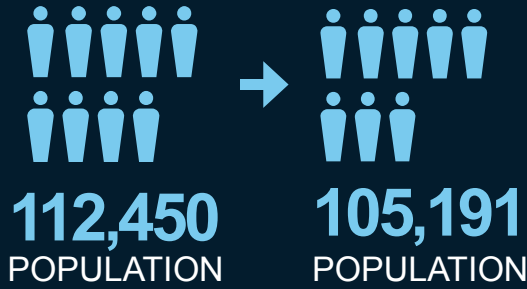
The challenges outlined above require a step change in delivering on ambition, collectively utilising the resources of the Council (regardless of service area) and working with partners to achieve better medium and long-term outcomes for the people of South Ayrshire while addressing the longer-term challenges.

The report to Council in May 2026 can be found [here](#), sets out a timetable of activity from July 2026 until January 2027 aimed at delivering the newly established Programme of Works. By necessity, the Programme of Work will require to align with emerging priorities during the development of the new Council Plan and with continued development of the Local Outcomes Improvement Plan (LOIP). However, because the pressures facing the Council impact on partners and communities, an opportunity exists to examine the possibility of a single Community Plan which incorporates both the Council Plan and a refreshed LOIP.



South Ayrshire Overview

Between 2021 and 2043 the population of South Ayrshire is projected to decrease from 112,450 to 105,191. This is a decrease of 6.5% which compares to a projected increase of 1.7% for Scotland as a whole.



About The Council

Elected Members
INDEPENDENT 11
CONSERVATIVE 6
SNP 5
LABOUR 5
ALBA 1

Staff
5022 full-time equivalent
(as at 31 March 2025)

Population

70.1% Ayr, Prestwick and Troon

29.9% Girvan, Maybole, rural Kyle and Carrick

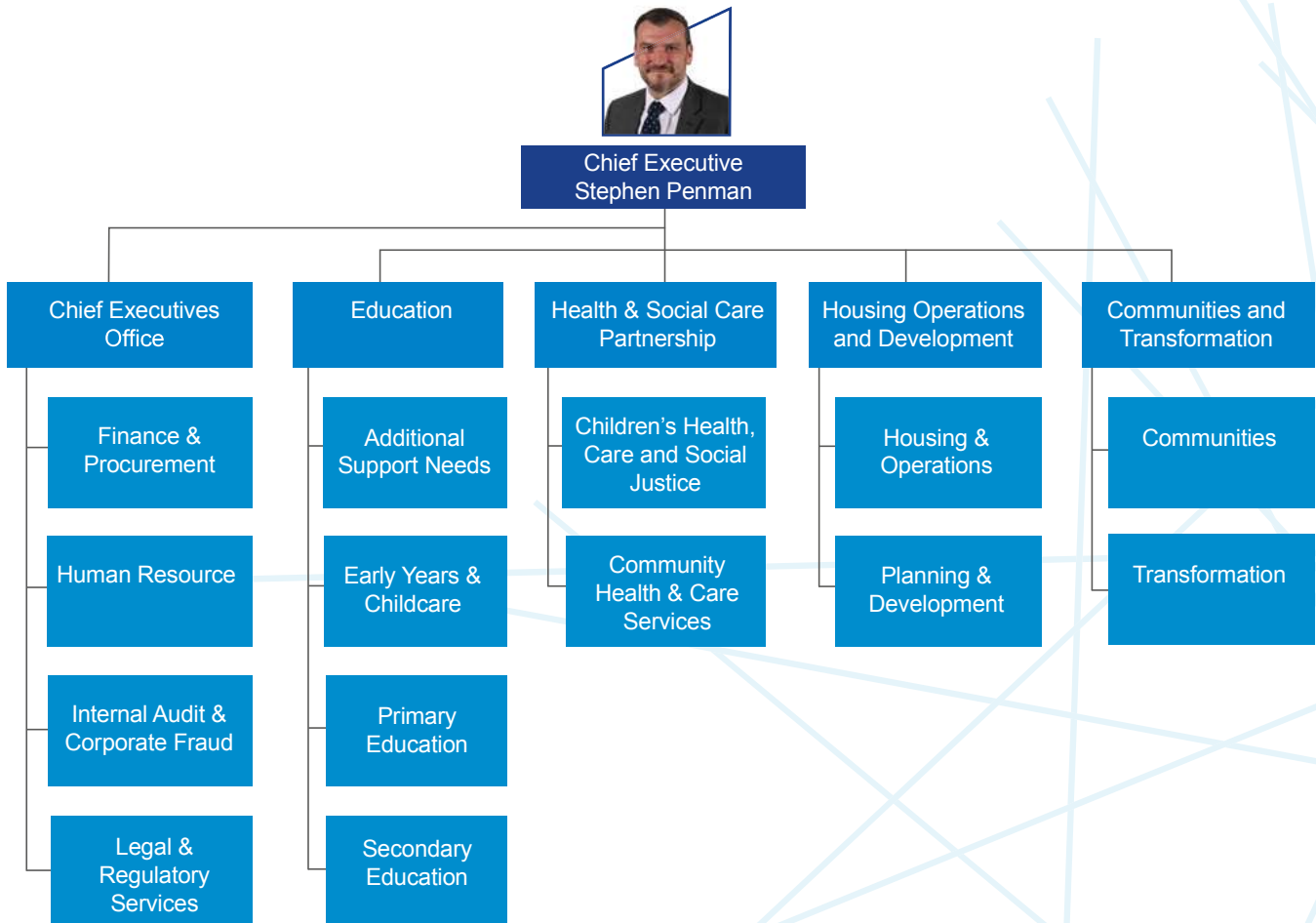
476 SQUARE MILES

(Source: National Records of Scotland, Small Area Population Estimates 2021)

Map locations: TROON, PRESTWICK, AYR, MAYBOLE, GIRVAN

Our Council Structure

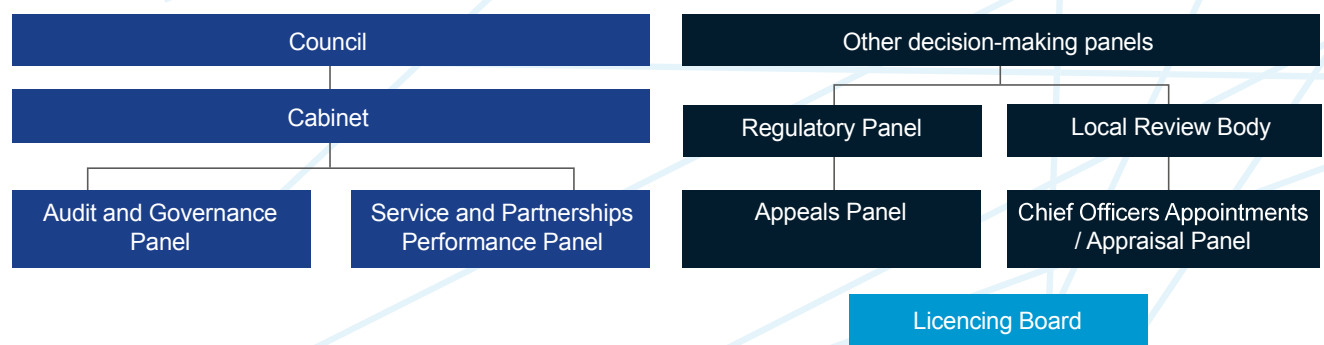
The Council approved the report 'Shaping Our Future Council' in March 2024 which included an enhanced leadership and management structure designed to improve the leadership capacity required to drive sustainable change. The structure below was in place throughout 2025-26.



Political decision-making structure

The Council approved it's most recent political decision making structure in March 2023.

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

South Ayrshire Council Plan (2023-2028) was approved in March 2023, with a very clear emphasis on the connection between our places and the wellbeing of our communities and environment. As highlighted in the plan, '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'.

There are 3 high-level priorities within the plan focusing on Spaces and Places; Live, Work and Learn; and Civic and Community Pride. These priorities (along with seven supporting outcomes) 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.

A fourth, internal outcome: Effective and Efficient Enabling Services, is also reported on. This gives support services an opportunity to highlight their continuous improvement and demonstrate their vital role in delivering the Council's ambitions.

The plan also recognises the cross-cutting nature of our work and paved the way for the Council's Integrated Impact Assessment (IIA). The IIA has been operational since September 2024 and has been lauded as best practice by national partners. An update was provided to Service and Partnership Performance Panel in May 2025 with a further update due to be considered in June 2026.

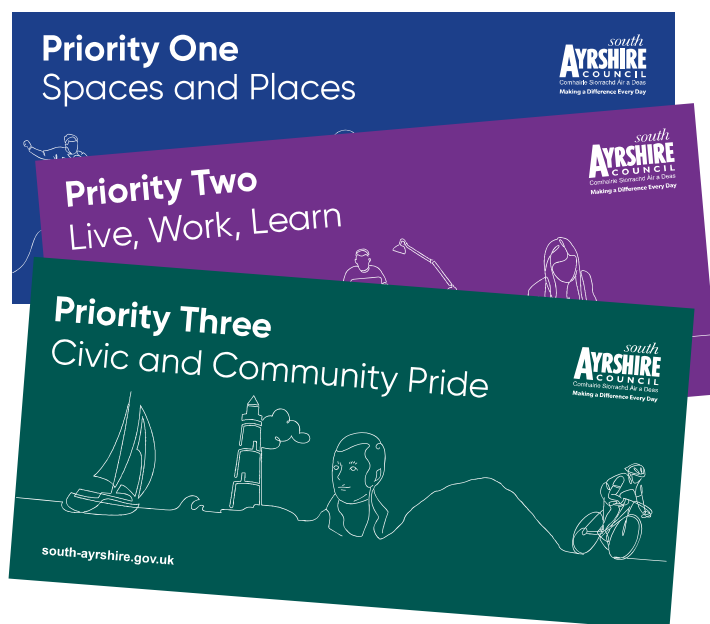
Year 1 Council Plan actions were approved by South Ayrshire Council in June 2023. Council plan actions are updated annually to close off completed actions and incorporate new actions during the life of the plan.

A Performance Management Framework is in place to support the reporting cycle which aligns to the requirements of the Accounts Commission's statutory performance information direction.

Delivery against the Council Plan has now reached the midway point, a summary update on our key achievements during the first 3 years of implementation can be found in the report to Council on 14 May 2026 using the following [link](#).

Overall, progress toward the priorities is good, with a summary of quarter 4 performance below:

Priority Area	Actions	On track/ Completed	Off track/Not yet started/ Re-assess due date	Overall health
Priority One: Spaces and Places	16	11 on track and 3 completed	1 off track - some concerns 1 re-assess due date	✔
Priority Two: Live, Work and Learn	8	3 on track and 4 completed	1 re-assess due date	✔
Priority Three: Civic and Community Pride	6	1 on track and 4 completed	1 re-assess due date	✔
Efficient and Effective Enabling Services	6	2 on track and 3 completed	1 re-assess due date	✔
Total number of actions	36	17 on track and 14 completed	1 off track and 4 re-assess due date	



Performance

against other Councils 2024-2025

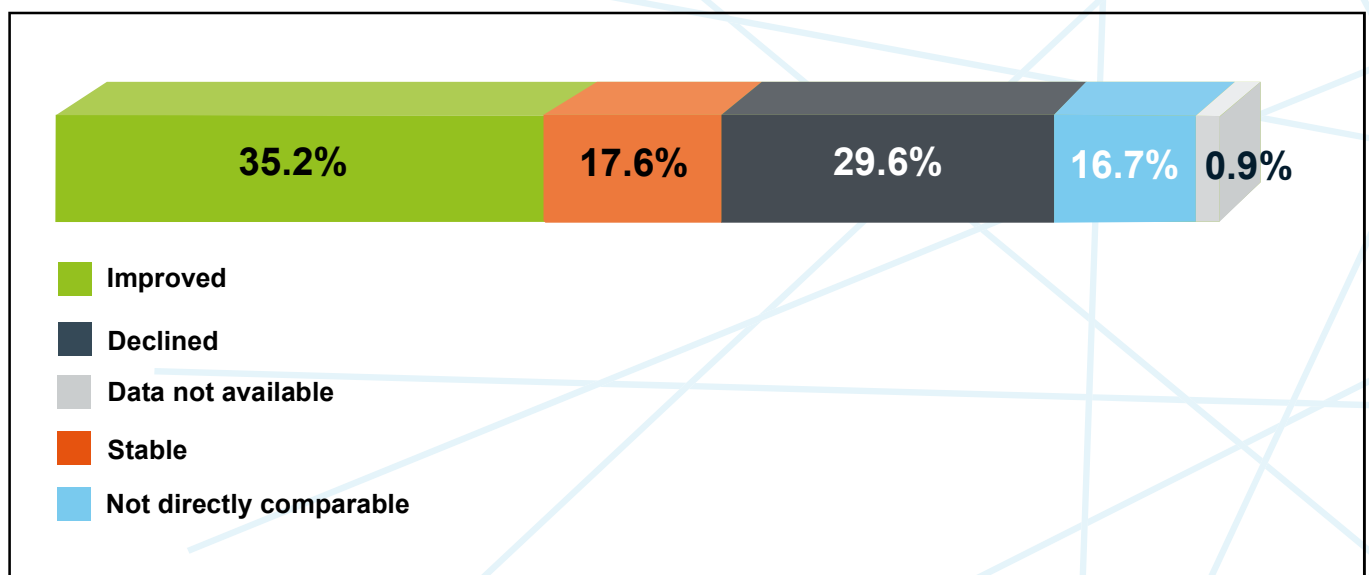
The Local Government Benchmarking Framework is a high-level benchmarking tool which allows local authorities to compare their performance across a wide range of key service areas such as education, environmental services and adult social care. The framework is based on overall service groupings which cover the major public-facing services provided to local communities and the support services necessary to do that.

While a useful tool for beginning conversations around performance, the Improvement Service highlight that the LGBF data should not be considered in isolation but rather be used as starting point for more in-depth scrutiny of performance.

As highlighted in the Audit Scotland Best Value Assurance Report published in October 2021, it was recommended that targets are set to improve performance. Targets allow significant variations in performance to be identified and acted upon. However, targets should not be looked at in isolation as they are only one aspect of performance and do not show whether specific outcomes have been achieved. All actions supporting the new Council Plan 2023-28 are required to set a target and a completion date.

During 2025-26 an interactive dashboard was developed to take advantage of the availability of more regular data updates provided by the Improvement Service. The data on the dashboard replicates the information previously supplied to Service Leads in data packs but is now updated automatically with each data release. This minimises the need for manual updating of information and captures any revisions of data at a much earlier point. It also allows Services to access data out with the annual LGBF reporting cycle for use in other reports and during improvement exercises.

Overall, the year-on-year draft performance data suggests that 53% of indicators have improved or are stable, 30% of indicators have declined, 17% of indicators where data is not available and 1% have data which is not directly comparable as highlighted in the following graph.



To provide members with an opportunity for more extensive scrutiny of the LGBF data, supplementary data (presented by theme and indicator) will be presented to members of the Service and Partnership Performance Panel in August 2026.

Financial Statements

The financial statements for 2025-26 and associated notes are set out on pages 44 to 88 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

As is the case across all local authorities, this Council faces significant financial challenges due to the increased inflationary environment and will be required to operate within even tighter fiscal constraints for the foreseeable future alongside which the continuing difficult national economic outlook and increased demand for services is increasing the pressure on Council activity. The Council's current Medium Term Financial Plan (MTFP) was published in February 2026.

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. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayers' funds. The February update to the MTFP indicated a potential cumulative budget gap of between £18.2 million and £26.2 million over the remaining four years of the plan, based on an optimistic and pessimistic approach to the planning assumptions.

The next update to the MTFP is due in February 2027.

Financial Performance

Financial Performance Monitoring

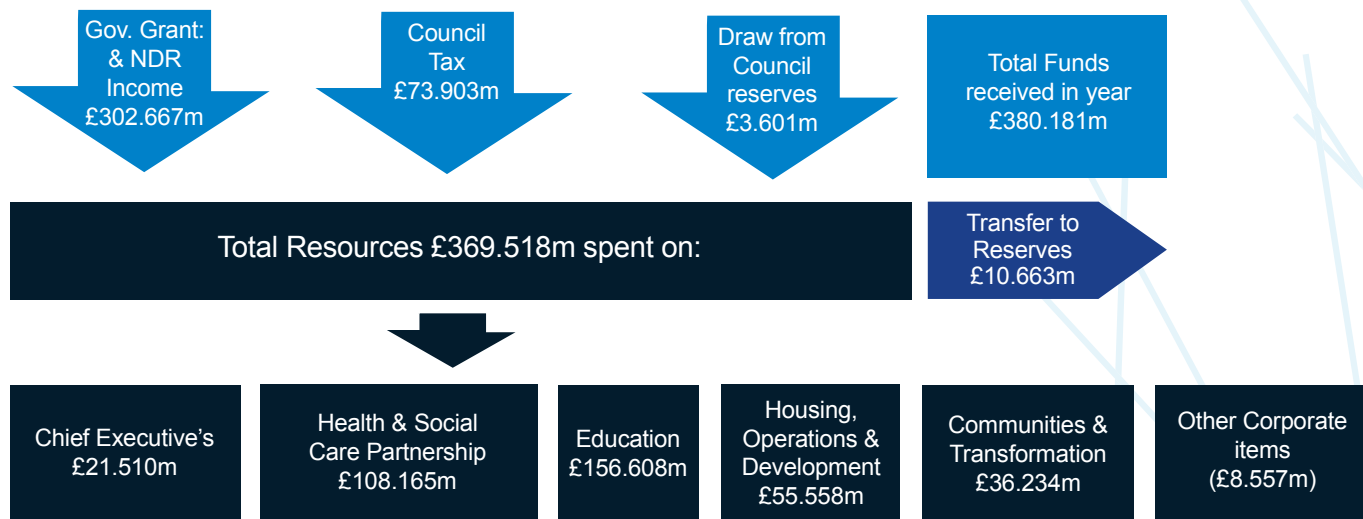
Financial information is a key element of the Council's performance management framework with regular reporting to the Council's Cabinet. The Council's General Fund financial performance is presented in the Annual Accounts that follow this management commentary. The Comprehensive Income and Expenditure account Statement (CIES) on Page 44 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 49 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 2025-26.

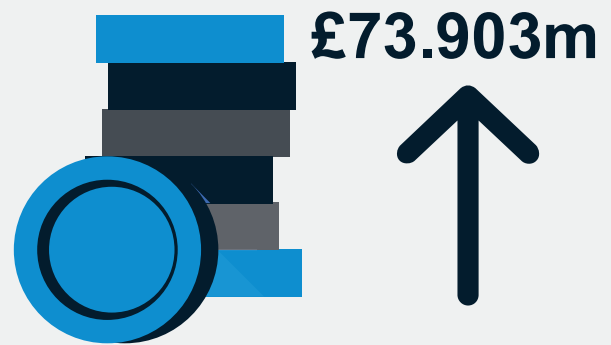
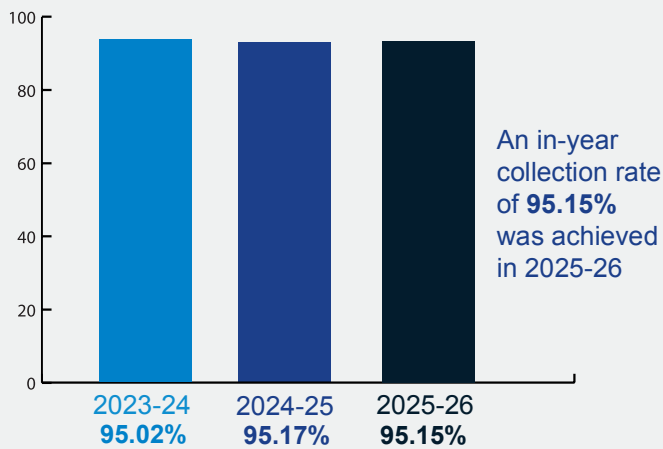


The performance of actual spend against budget for each Service area is shown in the tables opposite with an explanation of the main variance also provided. Further detail on service out-turns can be found in the Budget Management report submitted to Cabinet on 16th June 2026 and can be found at [Committee Agendas, Papers and Minutes](#).

Outturn information 2025-26				
Directorate/Service	Final Annual Budget	Actual outturn	Variance Favourable/ (adverse)	Variance analysis
	£'000	£'000	£'000	
Chief Executive's Office	23,382	21,510	1,872	Primarily due to delays in filling vacant posts.
Education	156,789	156,608	181	Primarily due to overspends within Mainstream stream pupil and ASN transport costs and under recoveries in payroll management targets. This is offset by underspends in third party payments and the over achievement of income.
Housing, Operations and Development	58,424	55,558	2,866	Due mainly to delays in filling vacant posts and under spends in transport costs which is offsetting overspends in Asset Management property costs.
Housing Revenue Account	-	(1,632)	1,632	Due to improved efficiencies in repairs to Council Housing stock offset to a certain extent by increased contributions to capital works in void properties.
Communities and Transformation	38,060	36,234	1,826	Due to delays in filling vacant posts and over recovery of income.
Social Care: Provision of Services	108,165	108,165	0	On line after the transfer of the in year underspend to the Integrated Joint Board accumulated reserves.
Miscellaneous Services	(5,451)	(8,557)	3,106	Due to an overspend in Loan Charges, reflecting higher interest rates being encountered on borrowing.
Council Tax	(73,508)	(73,903)	395	Actual in year collections were slightly higher than target for the year which resulted in an overall over recovery in income.
Government Funding	(302,260)	(302,677)	417	Additional income relates to Non Domestic Rate retained incentive scheme income.
Use of Balances	(3,601)	(3,601)	0	
Net Cost of Service	0	(12,995)	12,995	

Council Tax Collections

In-year Collection Rate (%)



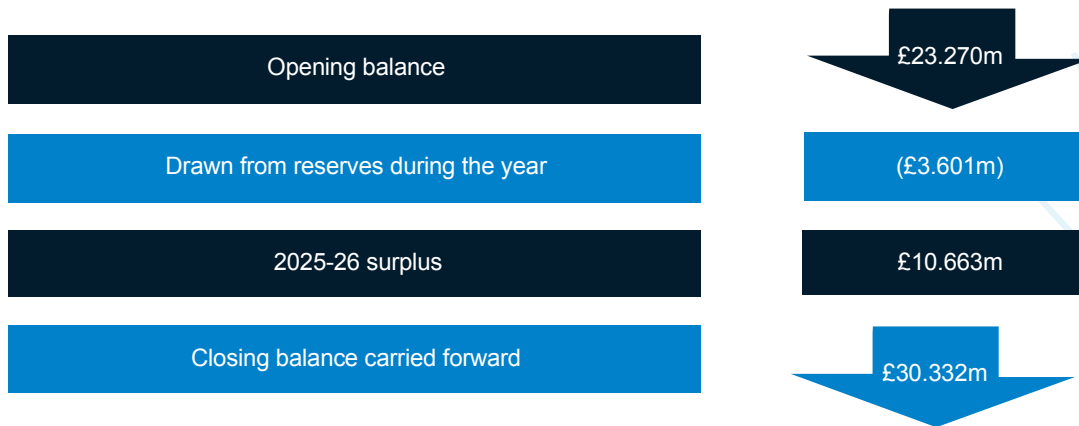
Actual Council Tax collected during 2025-26. This equated to **20%** of the overall funding required to meet net expenditure for the year.

The Comprehensive Income and Expenditure Statement (CIES) sets out our funding and spending in line with accounting requirements which is different to the way we report financial performance internally. The Expenditure and Funding Analysis (EFA) provides a link between our budget management reports and the figures in the CIES. The table below provides a link between our management reporting to the first column of the EFA on page 49 which in turn links to the CIES on page 44.

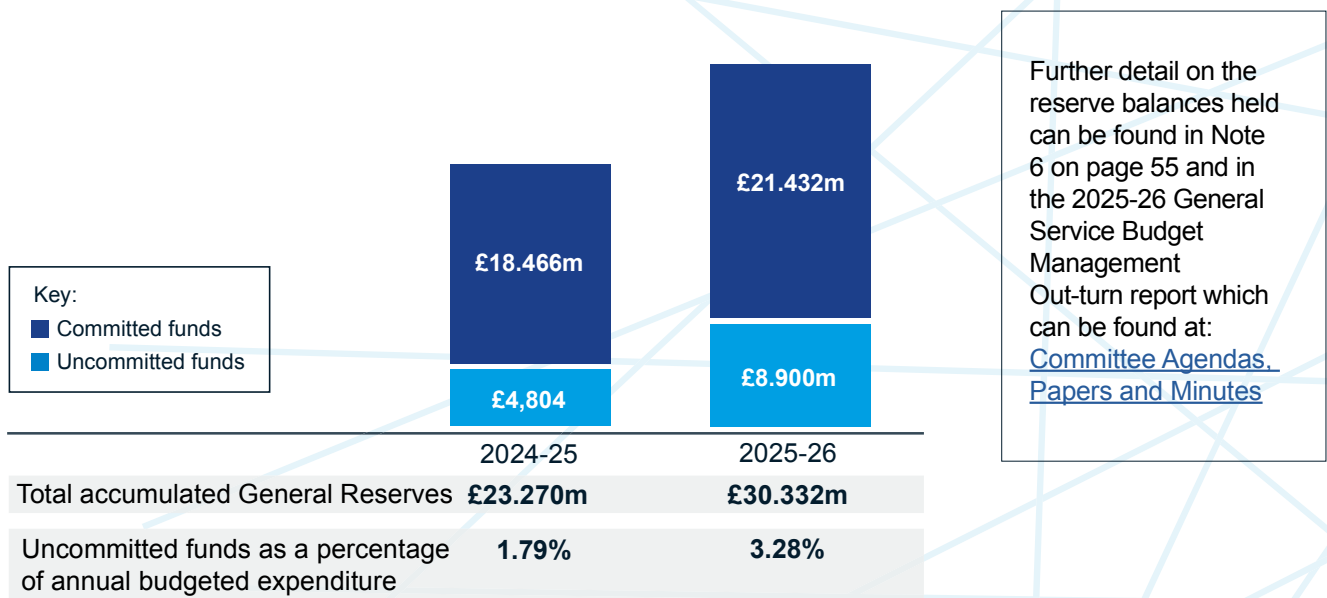
Building the EFA					
Directorate/Service	Actual outturn (page 12)	Amounts not included in net cost of Services	Net Expenditure chargeable to the General Fund and HRA balances	EFA Segment	EFA Column 1 (page 49)
	£'000	£'000	£'000		£'000
Chief Executive's Office	21,510	(2,481)	19,029	Chief Executive's Office	19,029
Education	156,608	(14,443)	142,164	Education	142,164
Housing, Operations and Development	55,558	(10,208)	45,349	Housing, Operations and Development	45,349
Housing Revenue Account	(1,632)	(5,753)	(7,385)	Housing Revenue Account	(7,385)
Communities and Transformation	36,234	(13,461)	22,773	Communities & Transformation	22,773
Social Care: Provision of Services	108,165	(2,097)	106,068	Social Care: Contribution to IJB	113,229
				Social Care: Provision of Services	(7,161)
Miscellaneous Services	(8,557)	22,708	14,151	Miscellaneous Services	14,151
Council Tax	(73,903)	73,903	0		£342,149
Government Funding	(302,677)	302,677	0		
Use of Balances	(3,601)	3,601	0		
Net Cost of Service	(12,295)	354,444	342,149		

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 £23.270 million from 2024-25 and the movement during the year on this balance, agreed as part of the original 2025-26 budget and through decisions taken during the year, was as follows:



The chart below shows a breakdown of the £30.332 million accumulated reserves held at the end of 2025-26 between committed and uncommitted funds.



The South Ayrshire HSCP is holding its own reserves of £11.214 million (inclusive of a share of Lead partnership reserves), £8.660 million of general earmarking of funds for use in future years and £2.554 million of a general unallocated reserve. The reserves held by the partnership are not included with the Council's £30.332 million shown above.

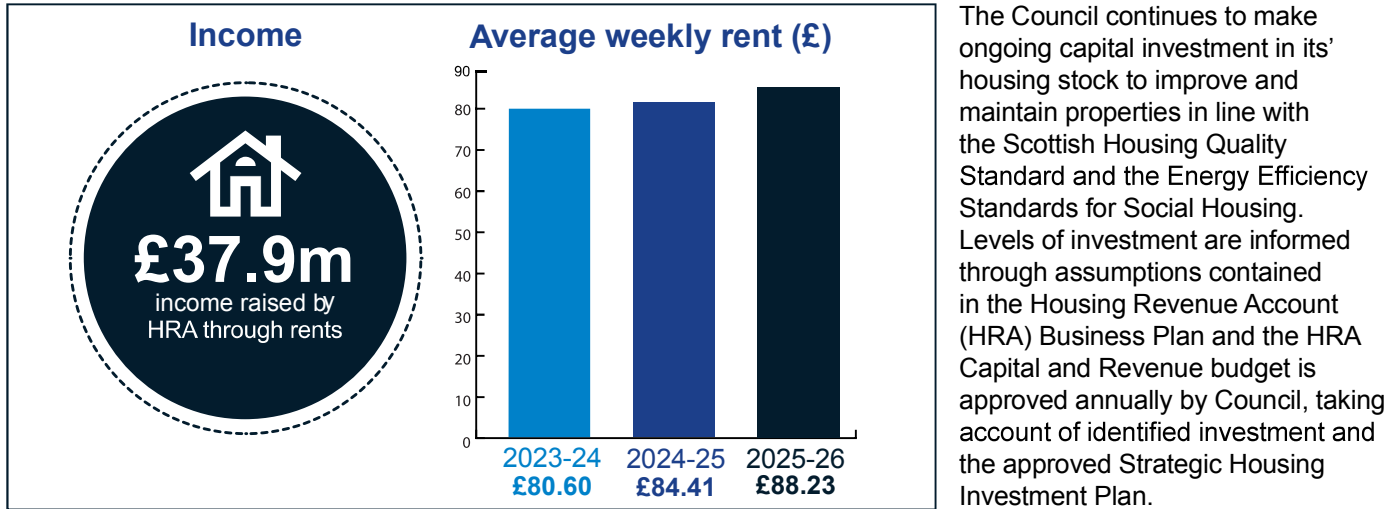
The Council keeps its level of balances under review and, as per the approved Council Financial Strategy, aims to maintain an uncommitted balance of generally between 2% and 4%, but as a minimum at least 2% of annual running costs. As noted above uncommitted reserves held sits at 3.28% which is within the desired level.

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.

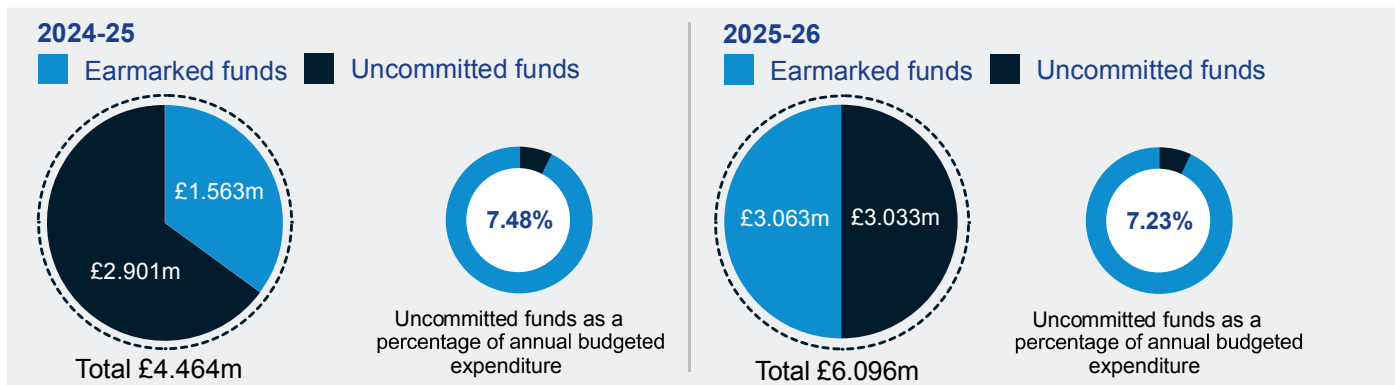
This income can only be used to meet the costs of delivering a housing service for our tenants in South Ayrshire. This includes managing the housing service, day-to-day repairs and larger investment through the modernisation of our properties.



A review of the HRA Business Plan was undertaken during 2023-24 and further consultation took place with tenants during November/December 2023 on rent setting options. At a Special Meeting of South Ayrshire Council on 17th January 2024, the Council approved a rent increase of 4.5% each year for the 3-year period from 2024-25 – 2026-27.

In 2025-26, gross rent arrears were £1.101 million, this was a decrease on £1.240 million in 2024-25. The Council's performance remains strong in comparison to other Scottish Local Authorities. Despite the reduction in gross rent arrears, the recovery of income and provision of support to households remains a challenging area of work. In 2025-26, the Council continued to utilise the Tenant Hardship Grants to support tenants in hardship to sustain their tenancy and prevent homelessness. During 2025-26 a total of 404 grants were awarded, totalling £0.099 million.

Despite the continued improved performance in income collection, this remains a challenging area of work. The cost-of-living pressures, and the increased roll out of Universal Credit, including the ongoing migration of Housing Benefit cases to Universal Credit remain influencing factors on performance in the management of rent arrears and recovery of rental income. This activity is closely scrutinised within the Housing Service, to ensure a range of mitigations and actions are undertaken to manage rent arrears. Officers continue to actively reach out to households at an early stage when arrears occur, to provide advice, information, and support to tenants in managing their ongoing rent obligations and to make affordable repayment arrangements for rent arrears.

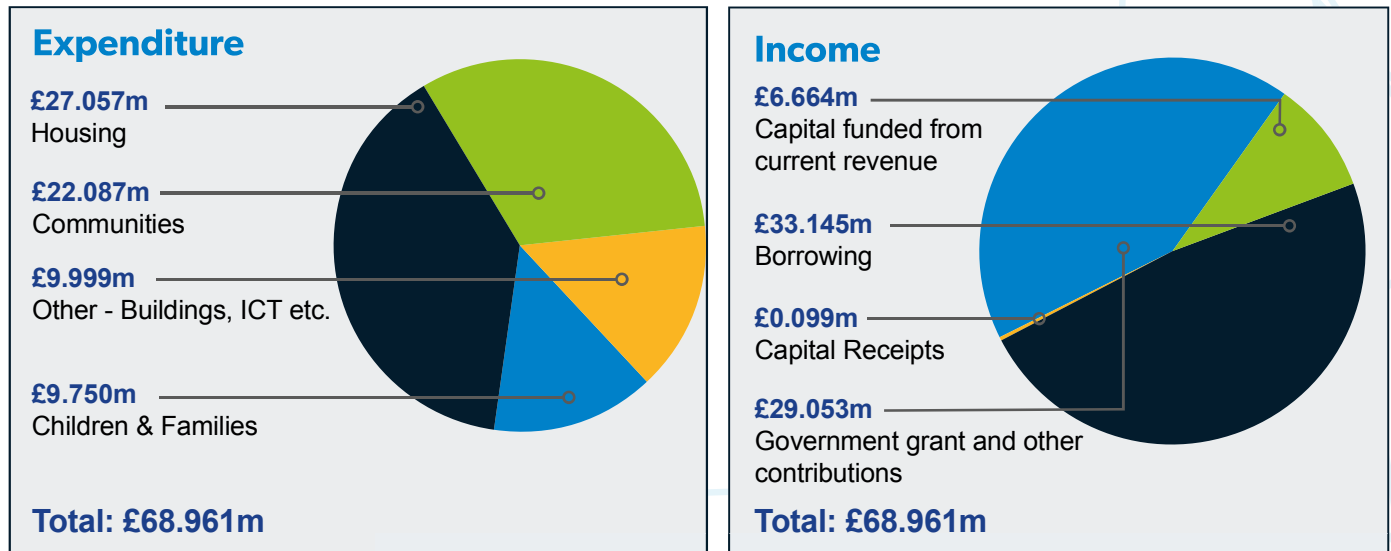


Further detail on the reserve balances held can be found in the 2025-26 HRA Budget Management Out-turn report which can be found at: [Committee Agendas, Papers and Minutes](#).

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 2025-26 and spent in total £68.961 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.



Capital Investment 2025-26

The Scottish construction sector experienced a challenging year in 2025-26 due to a number of factors: cuts in major projects, a continuing skills shortage and rising tender prices which resulted in reduced margins. Construction input costs rose by 4.65% in the year whilst tender prices rose in line with general inflation. Regulatory changes included adjustments to Building Warrant fees under the Building (Fees) (Scotland) Regulations. A persistent lack of skilled tradespeople limited growth, the Construction Industry Training Board (CITB) estimate that the industry needs an additional 3,590 workers annually to keep pace with demand.



Treasury

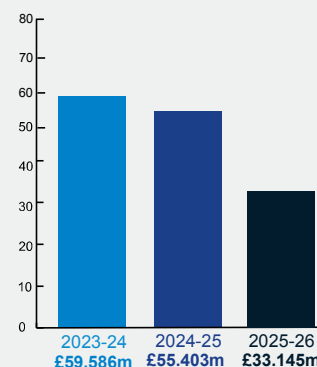
Management Activity

The Annual Treasury Management and Investment Strategy applicable for the 2025-26 financial year was approved by Council on 5 March 2025. The 2025-26 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 2025-26 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 2025-26 Treasury and Investment annual report, which compares the actual performance against the plan was considered by the Audit and Governance Panel on 24 June 2026 and remitted to Council for approval. The key Treasury Management indicators drawn from that report are noted below:

Indicator	2024-25	2025-26	Comment
Capital Financing Requirement	£623.441m	£633.604m	External debt levels remain lower than the CFR which reflect the Council’s strategy to fund part of its capital expenditure using internal funds resulting in an under borrowed position.
Gross External Debt levels	£559.544m	£586.577m	
(Over) / Under borrowed	£63.897m	£47.027m	
Ratio of Financing Costs to Net Revenue Stream - General Fund	6.75%	5.99%	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	20.44%	28.18%	










Financial Sustainability

Indicators

The future financial sustainability of the Council has been identified as one of the key strategic risks facing the Council in the medium and longer terms. Demand pressures and funding constraints have resulted in significantly increased challenges to the delivery of balanced budgets on an annual basis with unsustainable reserves and non-recurring savings options being utilised, along with delivery of permanent savings, to bridge budget gaps.

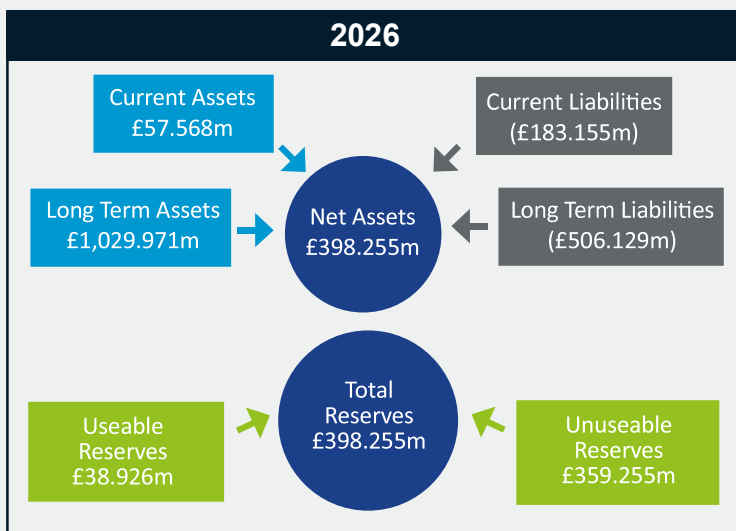
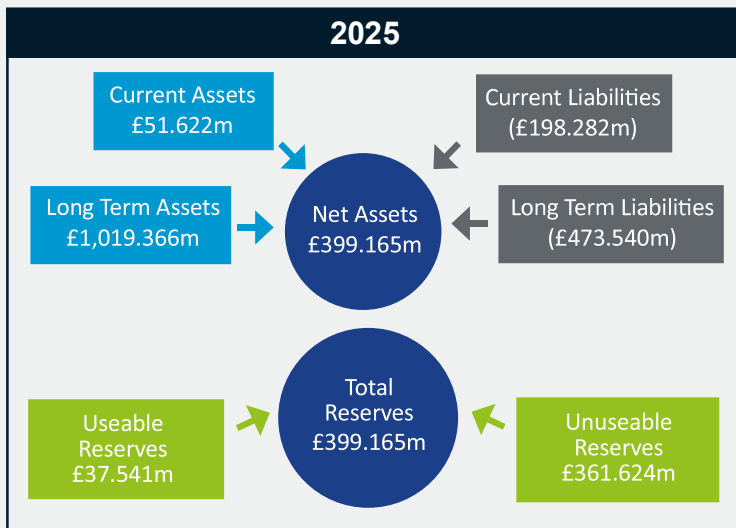
The undernoted metrics demonstrate the sufficiency of available reserves to support future service delivery, the affordability of our capital investment plans in terms of their impact on our revenue streams and the effectiveness of our budget monitoring activities.

Measure	Commentary	Trend	2025-26	2024-25	2023-24
Total useable reserves as a % of General Fund annual budget	This measure provides an indication on the level of how a Council is placed to meet unforeseen events. A low level of unallocated reserves may be a sign that a council could struggle if any unknown financial surprises were to occur.		10.36%	10.63%	12.77%
Uncommitted General Fund balance as a % of annual budget (inclusive of HSCP budgets)	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy is to maintain a level between 2% and 4% of annual expenditure which is considered appropriate in the context of the Council's financial and on-going risk profile. A low level of uncommitted reserves may be a sign that a council could struggle if any unknown financial surprises were to occur		2.37%	1.36%	1.35%
Ratio of financing costs to net revenue stream – General Fund	These two items are a measure of how affordable the Council's capital plans are. It shows the cost of annual borrowing repayments as a % of annual revenue spend for the General Fund and the Housing Revenue Account.		5.99%	6.75%	6.5%
Ratio of financing costs to net revenue stream – Housing Revenue Account			28.18%	20.4%	12.4%
Actual outturn as a percentage of budgeted expenditure	The effectiveness of our budget planning and control is demonstrated by our high performance without exceeding the planned budget.		97.4%	100%	99.58%
Reliance on reserves as a % of Net expenditure	This indicator provides an indication of council's planned use of reserves in order to set a balanced budget for the year. It is a key measure of financial sustainability and resilience, reflecting how reliant councils are on finite reserves to address annual pressures by showing their planned use of reserves as a proportion of their net spending.		0.0%	1.2%	2.0%

As can be seen from the trend  information contained in the table, overall four of the six indicators show an improving trend from 2024-25 or over the three years period shown, which is reflective of the recent decision by the Council to improve the overall reserve position, one has remained fairly static in relation to the proportion of useable reserves as a percentage of General Fund annual budget and one indicates a downward trend in relation to debt charges as a proportion of our revenue streams, reflecting the recent significant increase in our Housing Revenue Account capital investment plans in recent years. The overall assessment is that our Financial Sustainability has improved over the last three years.

Balance Sheet

The Balance Sheet on page 47 summarises the Council's assets and liabilities at 31 March 2026. The Balance Sheet brings together Long-term assets, Current assets, Current liabilities and Long-term liabilities resulting in total Net Assets of £398.255 million for 2026 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 2025-26 having taken place on 31 March 2023. The disclosure requirements for pension benefits under IAS19 are detailed at Note 27.

The appointed actuary assessed the Council's share of Strathclyde Pension Fund as a net asset of £478.781 million as at 31 March 2026 (2024-25: £420.667 million) which was subsequently reduced to £nil by the application of an asset ceiling adjustment, following consideration of the level of pension fund asset actuarial valuations at a national level. However, the valuation excludes the valuation of unfunded pension obligations, the present value of which has been assessed as a liability of £21.776 million. Accordingly, the overall pension valuation in the Balance Sheet as at 31 March 2026 is a net liability of £21.302 million.

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.

Group Accounts

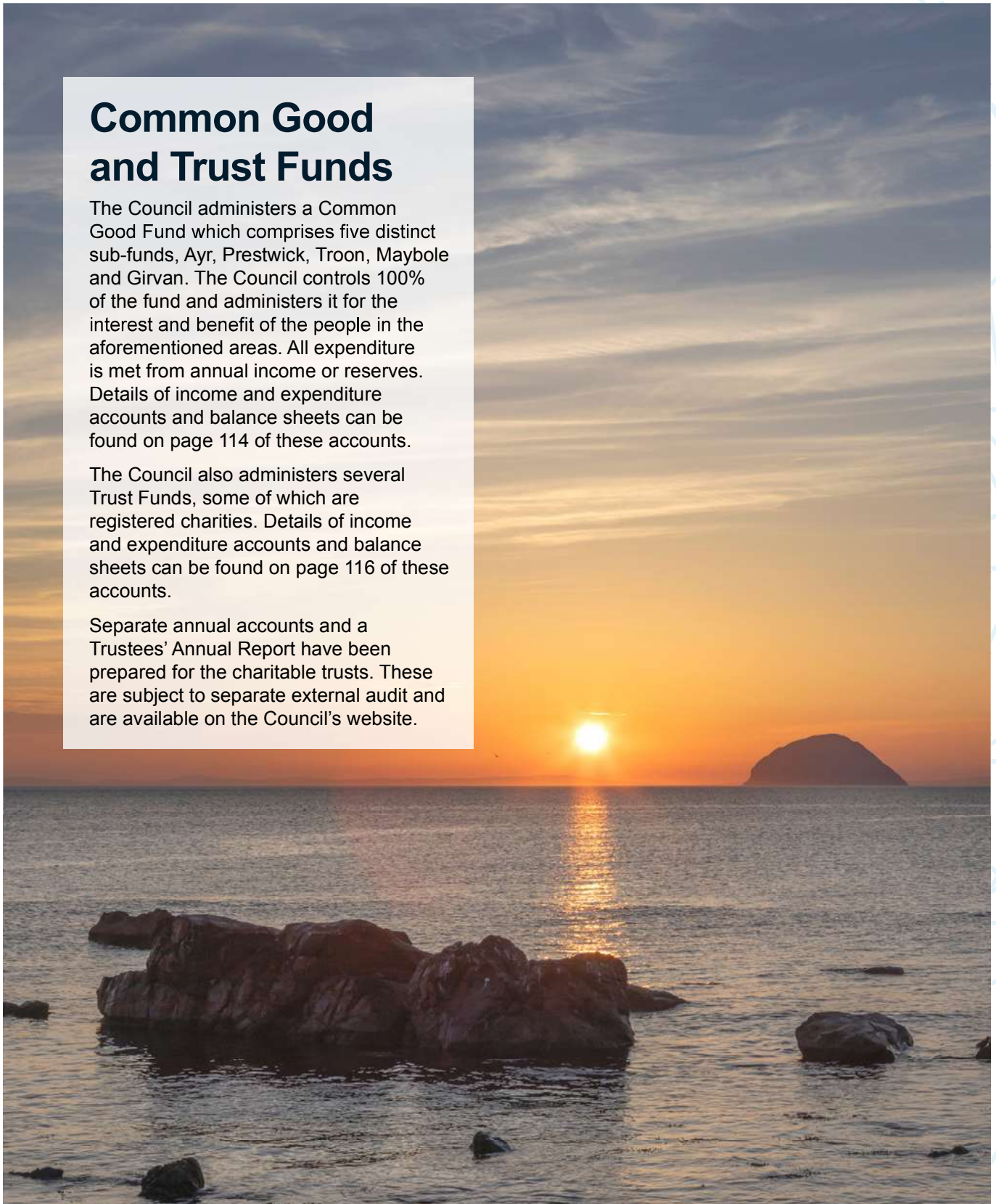
The Council has an interest in a number of other organisations and is therefore required to prepare Group Accounts. The Group Accounts are included separately in the Council's core statements and consolidate the results of the Council with its share of the results of two subsidiaries and four associates. The inclusion of the subsidiaries and associates in the Group Balance Sheet increases both the net assets and reserves by £49.394 million (£48.118 million in 2024-25), 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 114 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 116 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 Council published its most recent Medium Term Financial Plan (MTFP) in February 2026.

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. It plays a vital part of decision-making and forms the basis of the Council's stewardship over taxpayers' funds.

As is the case across all local authorities, the Council faces significant financial challenges due to the increased inflationary environment and will be required to operate within even tighter fiscal constraints for the foreseeable future alongside which the continuing difficult national economic outlook and increased demand for services is increasing the pressure on Council activity.

The primary source of funding for the delivery of Council Services is the Scottish Government through the allocation of Aggregate External Finance (General Revenue Grant and Non-Domestic Rates income) which accounts for approximately 80% of the Council's funding. The expectation is that future Scottish Government funding will be severely limited or more likely flatlined. This means that current service provision will become unaffordable within the estimated funding envelope, therefore decisions are required to increase income through other means (council tax or fees and charges) or to contract council service provision by reducing or ceasing certain non-priority service provision areas.

Contained within the MTFP is a budget strategy that sets out the key principles to ensure a robust and strategic approach to financial planning is progressed. This Budget Strategy will be key to ensuring that the achievement of the Council's Strategic Priorities identified in the new Council Plan are confined within the resources available to support the delivery of key outcomes.

The years through to 2031 (the end of the latest MTFP time-frame) will be challenging financially, given the available funding anticipated. Managing the financial pressures whilst seeking to deliver the Council's priorities will be difficult and will require a comprehensive review of the revenue budget, planned costs and performance as well as a review of the capital plans and aspirations in order to ensure that the Council remains financially resilient.

Strategic Change Programme

The Council's Strategic Change Programme was established in 2021 to develop and deliver business change projects across the Council.

In March 2024 the Council approved a revised strategic approach to Shaping Our Future Council.

As part of this decision, Council also approved the establishment of a Transformation Board chaired by the Chief Executive as the officer ultimately responsible for the transformation of the Council. Membership of the Board comprises Chief Officers of the Council.

The Board focuses its work around four key areas of strategic change.

Key Area 1: Our Workforce **Key Area 2:** Our Technology **Key Area 3:** Our Asset **Key Area 4:** Our Delivery Model

In order to support this activity, as part of the budget setting process for 2024-25, the Council agreed to contribute £5 million of funding to establish a new Transformation Fund in recognition that the design, development and implementation of change activity may require upfront investment to enable the realisation of benefits.

Benefits trackers for each funded project clearly demonstrate cashable and noncashable benefits, target dates and how benefits will be measured.

Regular benefits realisation updates and reports on live and completed projects are monitored by the Transformation Board.

Transformation activity is regularly reported to the Service Partnership and Performance Panel for scrutiny by Members. The latest report presented in March 2026 can be found at [Committee Agendas, Papers and Minutes](#).

Climate Change

In December 2025, South Ayrshire Council adopted its second **Sustainable Development and Climate Change Strategy**. The strategy sets out a coherent framework showing how the work of the council will promote sustainable development and address climate change in the next 5 years. This includes taking forward mitigation, adaptation, nature emergency and Just Transition measures in the way we exercise all our functions, using both our control and our influence to make a difference locally. The strategy supports the delivery of the commitment set out in the Council Plan which states that: 'The council aims to both fulfil and show leadership in relation to our statutory climate change, sustainability, and biodiversity duties across all our services, decision making and work with partners. We have committed to be net zero by 2045 and to adapt to the already locked in impacts of a changing climate. In doing so we aim to ensure a just transition for people and nature, supporting ecological recovery and wellbeing, reducing inequalities and creating sustainable, liveable places where people are connected to nature, climate literate and understand the natural systems we rely on, are supported to develop green skills and can work in a fast-evolving local green jobs market, travel less overall and make active and sustainable travel choices first.'

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. The council remains on track to meet both its 2030 and 2045 target.

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

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 December 2025 and with additional information related to mileage considered in early 2026, the Council reported a reduction in emissions of 50.6 percent from 2014-15 baseline information. The report can be found at

[Item 5 SAC111225 Sus Dev and Climate Change Strategy.pdf](#)



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 Management Team (CMT). 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 sixteen strategic risks broken down across three risk themes; Governance, Protection and Resources.

The Strategic Risk Register was updated during 2025-26 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 2025-26, 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 11. Financial sustainability metrics demonstrating the sufficiency of available reserves to support future service delivery, the affordability of our capital investment plans in terms of their impact on our revenue streams and the effectiveness of our budget monitoring activities are presented on page 18 of this document.

Risk theme	Governance	Protection	Resources
Risk title	External factors	Financial Inclusion	Financial Resilience
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 current, planned or expected levels of service cannot be delivered due to limited or reducing funding.
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.	Failure to deliver key services or meet change in service demands.
Mitigations	<ol style="list-style-type: none"> Continued Horizon scanning to anticipate and respond to risks. Watching brief and continual discussion on funding requirements for any unanticipated emergencies. Dissemination of information to officers and members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA). The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). Chief Executive attends Strategic ALRP. 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. 24/7 on call service in place via Civil Contingencies to respond to, and coordinate, Council emergency response to major incidents. 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"> Withdrawal of the National Insurance increase. Increasing the Scottish Child Payment to £25 per week from 14 November 2022 Winter Heating Payments paid. Rent Freeze Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords. 'One stop shop' website to help those struggling financially. 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. A Member Officer Working Group for the Cost-of-Living Crisis has been established. 	<ol style="list-style-type: none"> Annual 2025-26 budget prepared and approved in February 2025. Council agreed a £4m contribution to uncommitted reserves at part of the 2025-26 budget thereby increase uncommitted reserves to circa 3% which is above the desired minimum level of 2% and improves the overall financial resilience of the Council. £5m Transformation Fund established in February 2024 as part of the budget setting process. With a Transformation team being set up within the newly established Communities and Transformation Directorate in March 2024 to oversee change activity the Council. Maintain pressure on Scottish Government to agree settlements which reflect Local Authority needs through participation in CoSLA groups. Updated five-year Medium Term Financial Plan approved by Council in February 2026 (next update due February 2027) Annual Treasury Management Strategy prepared and approved by Council March 2025. Details credit and counterparty risk. Treasury Management Practices (TMP's) updated annually to reflect Treasury risk such as credit and counterparty risk management, liquidity risk management, interest rate risk management and exchange rate risk management.

A full copy of the Strategic Risk Register presented the Audit and Governance Panel in June 2026 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 2026.

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



Section 2: Statement of Responsibilities

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer (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 Chief Financial Officer.
- manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far, as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

The Chief Financial Officer's responsibilities

The Chief Financial Officer, 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 Chief Financial Officer has:

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

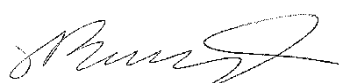
The Chief Financial Officer has also:

- 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 2026.

Councillor Brian Connolly
Leader of the Council

To be signed on behalf of South Ayrshire Council



Tim Baulk BA Acc CPFA
Chief Financial Officer

24 June 2026

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 <https://www.south-ayrshire.gov.uk/article/40259/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 Chief Financial Officer (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.

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 Council complies with the governance requirements of the Global Internal Audit Standards (GIAS) in the UK Public Sector and the CIPFA Statement on the Role of the Head of Internal Audit (2019). 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.

The Audit and Governance Panel perform a scrutiny role in relation to the application of GIAS in the UK Public Sector and regularly monitors the performance of the Council's Internal Audit service to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and is adding value and improving operations.

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.

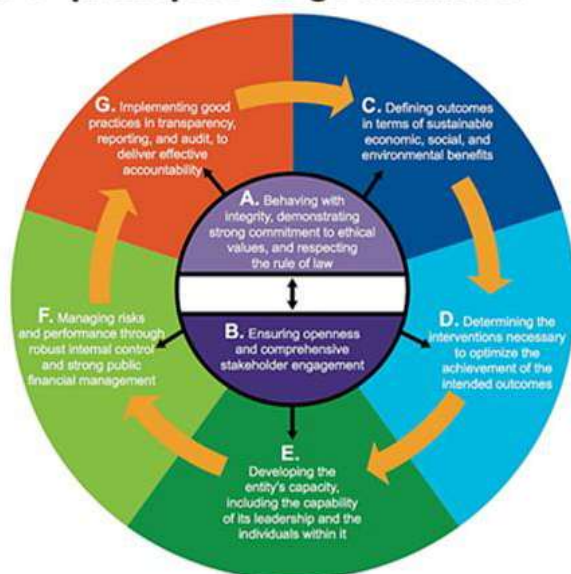
Any system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, objectives and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The 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 2026 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.

The 7 'principles' of governance:



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.
- 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 Conclusion

In 2025-26, the Internal Audit section operated in accordance with Global Internal Audit Standards in the UK Public Sector (GIAS in the UK Public Sector). The requirements under GIAS in the UK Public Sector represent best practice and are mandatory.

The purpose of the internal audit function is to strengthen South Ayrshire Council's ability to create, protect, and sustain value by providing the Council's audit committee (the Audit and Governance Panel) and management with independent, risk-based, and objective assurance, advice, insight, and foresight

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 2025-2026 financial year presented to the Audit and Governance Panel on 24 June 2026 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 2026'.

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. Quarterly Internal Audit progress reports to the Audit and Governance Panel include Directorate's progress against implementation of internal audit action plans and Internal Audit plans include an allocation of time to formally follow up implementation of audit actions.

Matters arising from internal audit work are reported to all Members, Chief Executive, Chief Financial Officer (as Section 95 Officer), Chief Governance Officer (as Monitoring Officer), and the Council's external auditor. Internal Audit uses 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 governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited; 'Reasonable assurance' is where there is a generally sound system of governance, risk management and control in place. 'Limited assurance' is where significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. 'No assurance' is where immediate action is required to address fundamental

gaps, weaknesses or non-compliance identified and the system of governance, risk management, and control are inadequate to effectively manage risks to the achievement of objectives in the area audited. Of the nineteen reviews completed for South Ayrshire Council by Internal Audit during 2025-2026; seven resulted in substantial assurance, five in reasonable assurance, five in limited and one in no assurance. The remaining assignment involved providing advice and guidance and therefore did not require the provision of assurance. There was no common area of control weakness identified across the audit areas with limited assurance. However, the findings from three audits were applicable to all Council Services. Management accepted all recommendations in these reports and took immediate action to address the control weaknesses identified. The remaining two areas where limited assurance was assigned related to follow-up assignments where there was insufficient evidence that agreed improvement actions had been fully implemented. These limited assurance areas were considered when forming the overall audit opinion for the Council. The assignment that resulted in no assurance was limited to one specific area of the Council and does not affect the overall level of assurance for the Council.

Management has continued to react positively to all audit reports and have agreed to 100% of audit recommendations raised in 2025-26 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.

Delivering Good Governance

Relating to 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 / Chief Officers. These assessments were scrutinised by EMT prior to submission to Audit and Governance Panel in June 2026, ahead of formal consideration of the Council's unaudited Annual Accounts also in June 2026 as agreed with the Council's external auditor. *Revisions have been introduced to the information-gathering process, including the provision of additional evidence to support the assessment of the 91 behaviours as well as a more comprehensive overall assessment of the sub-principles as highlighted below in the tables below:*



Note: For sub-principle A3 – there are 6 overall pieces of evidence - **1 piece of evidence** (16.7%) has been rated red (requiring improvement)

For sub-principle C2 – there are 3 overall pieces of evidence - **1 piece of evidence** (33.3%) has been rated red (requiring improvement)

Further information can be found in the summary of evidence table below

Summary of Evidence 2025-2026

Behaviour	Principle	Number of evidence items submitted		
		Effective	Effective but scope for improvement	Requires Work
A1	Behaving with Integrity	7		
A2	Demonstrating strong commitment to ethical values	5		
A3	Respecting the rule of the law	5		1
B1	Openness	5	1	
B2	Engaging comprehensively with institutional stakeholders (other organisations)	9	1	
B3	Engaging with individual citizens and service users effectively	11	2	
C1	Defining outcomes	6	1	
C2	Sustaining economic, social and environmental benefits	2		1
D1	Determing actions	3		
D2	Planning actions	7	1	
D3	Optimising achievement of intended outcomes	9		
E1	Developing the Council's capacity	3	1	
E2	Developing the capability of the Council's leadership and other individuals	11	3	
F1	Managing risk	4		
F2	Managing performance	5		
F3	Robust internal control	14	1	
F4	Managing data	6	1	
F5	Strong public financial management	3		
G1	Implementing good practice in transparency	3		
G2	Implementing good practice in reporting	11		
G3	Assurance and effective accountability	5		

Review of 2025-2026 Planned Improvement Actions

The following improvement actions were identified in the 2025-2026 Annual Governance Statement and progress is shown against each action in the table below. Three of these actions have rolled over to the 2026-2027 Improvement Action Programme:

Core Principle	2025-2026 Improvement Action	Progress
B. Ensuring openness and comprehensive stakeholder engagement	Refresh Community Engagement Strategy where required	Refreshed strategy approved at Cabinet on 17th February 2026. (implemented)
	Review of formal operational agreements in place with Partnerships	A group involving North Ayrshire Council, East Ayrshire Council, and South Ayrshire Council was set up to consider the provision of shared service, as part of this consideration will be given in the year 26/27 of the governance arrangements for the existing joint committee for shared services and how that could complement an extension of new shared services across the 3 Ayrshire councils. For Ayrshire Roads Alliance (ARA), a 10-year review has been concluded by EAC and will be presented to the Director Housing Operations and Development for any changes that need to be made to the delivery of service by ARA to South Ayrshire. This will include in 2026/2027 further consideration of any changes required to the governance to accommodate the changes to the delivery of these services. Then there will be consideration in the same year of any changes to the remit of the joint committee and that of Cabinet/each council for decision take for ARA. South Ayrshire completed its review of the integrated scheme in 2024. North Ayrshire Council/East Ayrshire Council require to complete a review. There are however material changes to the national landscape for the delivery of service through IJB which will delay the completing of this review of the integration scheme. The Council await guidance from Scottish Government for how these review to be completed. (not fully implemented).
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	Update Asset Management Plan (Land and Property)	An updated plan was presented to and approved by Council 19th February 2026. The paper presented the plan and approved that officers undertake property review and corporate asset management strategy development. (implemented)
D. Determining the actions necessary to optimise the achievement of the intended outcomes	Complete review of Ayrshire Regional Strategy by South Ayrshire Council officers.	The Ayrshire Regional Strategy now known as the Regional Economic Strategy (RES) was reviewed during 2025/2026. The new updated and refreshed RES will be published in 2026 following the consultation and review of the existing strategy. (implemented)
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it	Revision and updating of Role Profiles for Elected Members	Meeting with members to be arranged to discuss prepared drafts, following election. (not fully implemented)

F. Managing risk and performance through robust internal control and strong public financial management	Review and update Risk Management strategy to consider any changes including structure changes (albeit the risk management principles and methodology is still current)	Due to a senior staff vacancy, which we have been unable to fill, the evaluation and review of the management strategy will be completed by September. (not fully implemented)
	The new Enterprise Resource Planning system will facilitate both the adoption of good practice and further improvement in financial management and control	Significant progress has been made since implementation April 2023 in understanding the process requirements of all aspects of Oracle Fusion and overcoming the associated teething problems. Although some teething issues remain, officers across all services but particularly in Finance, Procurement and ICT, have learned a considerable amount about the system and the processes and controls required to facilitate its operation. This understanding is critical to develop and utilise the system in the most effective way possible, to support ongoing and continued improvement in financial management across the organisation. (not fully implemented)
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Development and delivery of a targeted training program to address knowledge gaps in elements of the P2P process, including coding and order status maintenance.	Training program has been rolled out and is being delivered to relevant officers across the organisation. Following initial rollout, a regular refresher session will be provided to capture new starts, etc. (implemented)
	Introducing updated evaluation procedures for this Framework	Work to develop an improved process for Delivering Good Governance in terms of both gathering updates from appropriate services and creation of the final 2025/2026 report including the assessment process is now complete. This will be supported by a briefing session for A&G panel members on DGG and the improved reporting process. (implemented)

Other 2025-2026 Governance Developments

- The Council's Integrity Group has been refreshed and rebranded as the Corporate Management Team (Assurance) with all CMT now represented on the group intended to widen the influence and impact.
- Full Council agreed to revise the portfolio structure in September 2025. Eight members of the Cabinet will now take on specific accountabilities as Policy Leads for specific areas of Council services and interests referred to as Portfolios.
- The adoption of new protocols and guidance on the justification required for the approval of different categories of capital projects/work was agreed at Council in September 2025.
- In September 2025, South Ayrshire Community Planning Board published its year one annual progress report for the Local Outcomes Improvement Plan (2024-2029). The format of the report has now changed to align with the requirements of our PMF and includes both a main progress report supported by several supplementary documents contained within a new dedicated webpage with information follows: monitoring success against our priority areas through the use of Pentana (our

performance management system) providing an update on progress against actions; provision of high-level statistical dashboard to allow us to measure impact over time; and demonstrating impact through supporting case studies/stories of change evidencing the LOIP in action across all our strategic delivery areas.

- In 2025, further refinement took place on Local Government Benchmarking Framework (LGBF) reporting. In March 2024, data packs were created and distributed to relevant Service Leads/Lead Officers with responsibility for reporting on LGBF indicators. In 2025, the data packs have been revised and updated to reflect the Accounts Commission Statutory Performance Information Direction 2024 and now includes information on: South Ayrshire's individual year on year performance and from the base year of 2018/19 or the appropriate year where comparison with 2018/19 is not possible; Longitudinal information on our performance with comparison to national and family group data which highlights the potential impact of Covid on the statistics; and Heat maps which show our Family Group Ranking from the base year. To allow members an opportunity for more extensive scrutiny of the LGBF data, supplementary data (presented by theme and indicator) was presented based on themes to Service and Partnerships Performance Panel in October 2025. This included specific themed data packs, allowed for comparison with other local authorities within our family groups and had with supporting commentary attached.
- The Ayrshire Energy Masterplan was approved by Cabinet in September 2025. The Masterplan is a result of collaborative work through the Clean Growth Workstream, one of the 6 workstreams of the Ayrshire Growth Deal. In the year ahead, further collaborative work will commence to deliver the action plan, with the Clean Growth Workstream revisiting its terms of reference and purpose to ensure it is best able to support the required work.
- In December 2025, Full Council agreed to a new Sustainable Development and Climate Change Strategy for the period 2025 to 2030. This new strategy has been prepared to reflect developments both locally, nationally, and internationally which have taken place since the adoption of the first strategy. It reflects the Council Plan (2023-2028) and the commitments we have made, as a Council, along with our partners through South Ayrshire Community Planning Partnership's 'Local Outcomes Improvement Plan' and the Ayrshire Regional Economic Strategy and Ayrshire Growth Deal to deliver in this broad area for the people of South Ayrshire. It also takes cognisance of national guidance and draws on the Leaders' Climate Emergency Checklist published by the Sustainable Scotland Network.
- During 2025/2026, the Council participated in the Audit Scotland Best Value Thematic Review of Asset Management, and this was reported to Audit and Governance Panel in March 2026. The report highlighted several key messages:
 1. South Ayrshire Council does not have an overarching asset management strategy to provide strategic oversight of its asset management approach. This creates a risk of fragmented decision-making which will not result in making the best use of its assets. The council acknowledges that it could benefit from more strategic oversight of its asset management arrangements.
 2. The council's Asset Management Plan (Land and Buildings) 2024 provides a good level of detail on the council's property estate and how it will support the council to deliver its net zero emission commitments. However, there is a lack of clear strategic alignment between asset management plans, the capital program and Council Plan. This was addressed in an update on the Asset Management Plan (Land and Buildings) at Full Council in March 2026.
 3. In 2024-25 we reported on the council's challenging financial position. At that time, the level of reserves had been reduced, and we concluded the council's cost base was not sustainable. The level of borrowing to support the capital program has increased over recent years. The affordability of this borrowing is part of these pressures. The council understands the future revenue implications of paying for its increased borrowing and is taking steps to make its capital program more realistic and deliverable, although it is too early to assess the effectiveness of these measures. These measures are part of the council's review of its financial plans to secure financial sustainability for the council through its 2026-27 budget discussions.

4. The council's delivery of its capital program needs to be improved if it is to support delivery of the asset management plans. There was significant slippage against its 2024-25 capital program. Significant areas of capital spend in 2024-25 included Maybole Community Campus, roads reconstruction and improvements and Prestwick pool. The council provides regular monitoring reports on its capital program and is taking steps to strengthen its governance and scrutiny arrangements. This includes introducing a new capital project approval protocol in September 2025. All capital bids will now require a capital project assessment bid to be presented to the Capital Asset Management Group for scrutiny before being approved.
5. The council performs in line with or above the national average in relation to relevant Local Government Benchmarking Framework asset management indicators. The council is in the top two quartiles for three of the four indicators, relating to the suitability of its operational buildings and the quality and energy efficiency of its housing stock. Its performance is in the third quartile for operational buildings that are in satisfactory condition. Performance reporting in relation to the council's own asset management indicators is fragmented, therefore it is difficult to see how this is informing strategic decision making.
6. The council is collaborating with partners to co-locate, share and develop its assets. The council can provide examples of engaging with communities on specific asset proposals, but it has not demonstrated how feedback from engagement has influenced decision-making; and
7. The council has a transparent approach to supporting, reviewing and assessing community asset transfer requests. Governance arrangements are robust, and recommendations and decisions are reported transparently on the council's website. Eight transfers have taken place since 2019 including Coylton Lawn Tennis Club and the transfer of Barr Community Centre.

Where our Governance needs to improve

Following the year end assessment for the period 2025-2026, the following improvement actions have been identified for the period 2026-2027 aligning to behaviors that were rated as amber/red. Monitoring of progress against these actions will be reported to Audit and Governance Panel.

Core Principle		Improvement Action
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Develop a program of training on report writing which includes the reiteration that services seek legal advice where it is required.
B	Ensuring openness and comprehensive stakeholder engagement	Complete review of the Integration Scheme for the IJB.
		Update locality plans with more focus on outcomes.
		Work with services to support usage of the Community Engagement Checklist.
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	A property challenge and review process will commence in 2026 with a view to increase efficiency, reduce costs, improve service delivery, and enhance the alignment of capital resource allocation to achieve these ends.
		Officers will work to develop a single consolidated South Ayrshire Council 'Corporate Asset Management Strategy' (CAMS).
		Complete refresh and publication of Regional Economic Strategy.
E	Developing the council's capacity, including the capability of its leadership and the individuals within it	CMT to confirm 2026 programme of service reviews.
		Introduce a revised appraisal process for the Chief Executive.
F	Managing risk and performance through robust internal control and strong public financial management	Update Corporate Policy and Performance SharePoint site with agreed data sets.

Governance Forward look

Establishment of new collaborative arrangements:

- South Ayrshire' Community Planning Partnership has agreed to support the development of an Integrated Neighborhood Team (INT). The approach is built around a place-based, whole-system model designed to bring services together around communities—starting with Ayr North as the first implementation area from August 2026. The approach sits within the area's wider Radical Place Leadership program, which aims to transform how public services collaborate to improve wellbeing and reduce crisis demand.
- The establishment of an Ayrshire Transformation Board, comprising representatives from South Ayrshire Council, East Ayrshire Council and North Ayrshire Council, the three Integrated Joint Boards and NHS Ayrshire and Arran to discuss how we can collectively deliver more effective health and care services given the financial climate and changing demographics. The Ayrshire Transformation Board will support the identification, investigation and recommendations for optimised performance, efficiencies and integration opportunities across the whole system in Ayrshire. This will be supported by a multi-layered officer-level governance structure designed to oversee whole system transformation across health, social care and local authority partners in South Ayrshire.

South Ayrshire Council, along with East and North Ayrshire Council, have secured Scottish Government Funding to work with the Sustainable Scotland Network to identify the best approach to taking forward collaborative partnership working across Ayrshire on Climate Change Adaptation. This work is about how Ayrshire will deal with the climate change that is locked into our climatic systems already and is particularly important at the current time as it is now acknowledged that the rate of change is quicker than previously hoped with a 2C temperature rise now anticipated within the next 25 years and all the impacts associated with that. Our work across the year ahead will reach out to a wide range of partners and stakeholders, including looking at existing collaborative area wide partnership structures such as the Community Planning Partnerships, Regional Economic Strategy and Growth Deal Structures, as well as ongoing adaptation projects and collaborative working such as that already underway to develop the Ayrshire Coastal Change Adaptation Plan.

Assurance

Subject to the following, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2025-2026 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 Brian Connolly
Leader of the Council

Stephan Penman
Chief Executive

To be signed on behalf of South Ayrshire Council by the Leader and the Chief Executive Officer (audited accounts only).

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 2014 and the guidance issued by the Scottish Government (Scottish Government Finance Circulars 8/2011 and 7/2014). 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 this section and the tables within 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) Amendment Regulations 2025 and came into force on 1 April 2025. 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. For 2025/2026 the salary for the Leader for South Ayrshire Council was set by Scottish Ministers as £50,063 and salary for Provost was set at £45,594. These regulations set out the maximum that the Council may pay as remuneration of Senior Councillors, the maximum paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council (75% of £50,063 = £37,547). 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 2025-26 South Ayrshire Council had the following posts: 1 Leader, 1 Provost and 13 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. 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 also set by reference to national arrangements. Public Sector Pay Policy for Chief Executives 2025-26 sets out the salary for the Chief Executive of South Ayrshire Council. 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 accrual's 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 2025-2026 is available on the Council's website by following the link [Members Expenses 25-26 Submission.pdf](#)

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

Name	Post title	2025-2026		2024-2025	
		Gross salary & allowances	Total Expenses	Total Remuneration	Total Remuneration
		£	£	£	£
B Connolly	Leader of the Council/Senior Councillor (2) (Note 1)	47,848	-	47,848	29,698
M Dowey	Councillor/Leader of the Council (Note 2)	4,389	-	4,389	42,727
I Campbell	Provost (Note 3)	35,593	1,125	36,718	33,527
I Cavana	Senior Councillor (1)	30,242	21	30,263	25,952
A Clark	Senior Councillor (2)	33,560	5,033	38,593	31,448
C Cullen	Senior Councillor (2)/Senior Councillor (1) (Note 4)	33,087	47	33,134	7,752
I Davis	Senior Councillor (2)	33,560	21	33,581	28,900
J Dettbarn	Senior Councillor (1)	30,242	695	30,937	25,883
M Dixon	Senior Councillor (2) & Chair of Ayrshire Valuation Joint Board (Note 5)	9,473	17	9,490	5,343
W Grant	Senior Councillor (2)	33,560	2,455	36,015	29,521
H Hunter	Senior Councillor (2)	33,560	1,136	34,696	16,643
M Kilbride	Senior Councillor (2)	33,560	16	33,576	28,900
M Kilpatrick	Senior Councillor (1)	30,242	21	30,263	25,884
A Lamont	Senior Councillor (1)	30,242	878	31,120	13,175
B Pollock	Senior Councillor (1)/Senior Councillor (2) (Note 6)	30,723	21	30,744	28,900
P Saxton	Senior Councillor (1)/Councillor (Note 7)	25,933	1,567	27,500	18,712
G Scott	Chair of AVJB (Note 8)	27,128	2,413	29,541	-
B Shields	Senior Councillor (2)	33,560	21	33,581	28,900
		536,502	15,487	551,989	421,865

There were no non-cash expenses & benefits-in-kind paid during 2025-26 or 2024-25.

Note 1 denotes that B Connolly was appointed Leader of the Council from 20th September 2025 (1 FTE Leader of the Council £50,063).

Note 2 denotes that M Dowey is no longer in position of Leader of the Council from 2nd May 2025 (1 FTE Leader of the Council £50,063).

Note 3 denotes I Campbell was no longer in position of Provost from 2nd May 2025 to 20th May 2025 (1 FTE Provost £37,548).

Note 4 denotes C Cullen was appointed Senior Councillor (2) from 23rd May 2025 (1 FTE Senior Councillor Portfolio Holder £33,560).

Note 5 denotes M Dixon was appointed Senior Councillor (2) from 23rd May 2025 (1 FTE Senior Councillor Portfolio Holder £33,560) also Chair of Ayrshire Valuation Joint Board (AVJB) remuneration received £836 (Deceased 22nd July 2025).

Note 6 denotes that B Pollock is no longer in position of Senior Councillor (2) from 23rd May 2025 (1 FTE Senior Councillor Portfolio Holder £33,560).

Note 7 denotes that P Saxton was appointed Senior Councillor (1) from 23rd May 2025 (1 FTE Senior Councillor £30,241).

Note 8 denotes that G Scott was appointed Chair of AVJB 25th September 2025 remuneration received £1,392.

Note: Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2025-26 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.

Total remuneration is presented on an accrual's 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.

	2025-2026	2024-2025
	£	£
Salaries	836,395	714,912
Expenses	15,710	12,558
	852,105	727,470

The annual return of councillors' salaries and expenses for 2025-2026 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 2026		2024-2025
	Gross salary & allowances	Total Remuneration	Total Remuneration
	£	£	£
S Penman - Chief Executive (Note 1)	65,109	65,109	-
C Sneddon - Interim Chief Executive (Note 2)	69,689	69,689	-
L McRoberts - Interim Chief Executive/Director of Education (Note 3)	53,984	53,984	139,427
M Newall - Chief Executive (Note 4)	91,148	91,148	161,677
T Eltringham - Director of Health & Social Care Partnership (Note 5)	91,081	91,081	138,177
M Inglis - Director of Health & Social Care Partnership (Note 6)	120,895	120,895	-
K Braidwood - Director of Housing, Operations & Development	137,189	137,189	125,091
S Mulholland - Director of Education (Note 7)	125,447	125,447	-
J Bradley - Director of Communities & Transformation	129,931	129,931	124,841
T Baulk - Chief Financial Officer	111,295	111,295	107,239
C Caves - Chief Governance Officer	110,066	110,066	106,674
W Wesson - Chief HR Officer	106,350	106,350	101,641
C McGhee - Chief Internal Auditor	69,183	69,183	66,467
K Anderson - Assistant Director - Corporate Policy, Strategy and Performance (Note 8)	106,045	106,045	-
	1,387,412	1,387,412	1,071,234

Note 1 Denotes S Penman commenced the role of Chief Executive on 17th November 2025 (25/26 1 FTE £173,798).

Note 2 Denotes C Sneddon commenced the role of Interim Chief Executive from 14th July 2025 until 30th November 2025 (25/26 1 FTE £166,582).

Note 3 Denotes L McRoberts commenced the role of Interim Chief Executive from 9th June 2025 until 3rd August 2025 (25/26 1 FTE £166,582), prior to this in post as Depute Chief Executive & Director of Education until 8th June 2025 (25/26 1 FTE £143,702).

Note 4 Denotes M Newall is no longer in the position of Chief Executive from 30th June 2025 (25/26 1 FTE £166,582).

Note 5 Denotes T Eltringham is no longer in the position of Director of Health and Social Care from 16th November 2025 (25/26 1 FTE £14,702).

Note 6 Denotes M Inglis commenced the role of Director of Health and Social Care from 10th November 2025 (25/26 1 FTE £143,702).

Note 7 Denotes S Mullholland commenced the role of Director of Education on 3rd October 2025 (25/26 1 FTE £129,834), prior to this in the role of Interim Director of Education from 9th June 2025.

Note 8 Denotes K Anderson from 7th February 2025 due to a structure change reports directly to the Chief Executive and therefore should be included in Senior Employees.

Figures above include the following election fees: 2025-26 By Election – Ward 3 North Ayr, C Sneddon £393, K Braidwood £332, C Caves £332 and W Wesson £305.

Total remuneration is presented on an accrual's 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 2025-26.

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 Employees 2025-26	Number of Employees 2024-25
50,000-54,999	538	266
55,000-59,999	191	165
60,000-64,999	166	117
65,000-69,999	74	69
70,000-74,999	67	47
75,000-79,999	31	18
80,000-84,999	14	14
85,000-89,999	4	2
90,000-94,999	6	3
95,000-99,999	4	2
100,000-104,999	2	9
105,000-109,999	7	2
110,000-114,999	1	-
115,000-119,999	1	-
120,000-124,999	1	2
125,000-129,999	1	-
130,000-134,999	-	-
135,000-139,999	1	2
160,000-164,999	-	1
	1,109	719

Pension benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). The term *pension benefits* cover 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 are the same as their state pension age with a minimum age of 66.

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 2025-26 were as follows:

	Contribution rate 2025-2026
Full time pay	
On earnings up to £27,500	5.50%
On earnings above £27,501 and up to £33,600	7.25%
On earnings above £33,601 and up to £46,100	8.50%
On earnings above £46,101 and up to £61,400	9.50%
On earnings above £61,401	12.00%

	Contribution rate 2024-2025
Full time pay	
On earnings up to £27,000	5.50%
On earnings above £27,001 and up to £33,000	7.25%
On earnings above £33,001 and up to £45,300	8.50%
On earnings above £45,301 and up to £60,400	9.50%
On earnings above £60,401	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 2026 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 2026	For year to 31 March 2025		As at 31 March 2026	Difference from 31 March 2025
		£	£		£'000	£'000
B Connolly	Leader of the Council/Senior Councillor (2) (Note 1)	2,574	1,426	Pension	7	-
				Lump sum	-	-
M Dowey	Councillor/Leader of the Council (Note 2)	238	2,254	Pension	5	-
				Lump sum	-	-
I Campbell	Provost (Note 3)	2,314	2,246	Pension	5	-
				Lump sum	-	-
A Clark	Senior Councillor (2)	2,187	2,012	Pension	7	-
				Lump sum	-	-
C Cullen	Senior Councillor (2)/Senior Councillor (1) (Note 4)	2,156	502	Pension	4	1
				Lump sum	-	-
I Davis	Senior Councillor (2)	2,187	2,012	Pension	5	1
				Lump sum	-	-
J Dettbarn	Senior Councillor (1)	1,970	1,813	Pension	5	1
				Lump sum	-	-
M Dixon	Senior Councillor (2) & Chair of Ayrshire Valuation Joint Board (Note 5)	617	-	Pension	2	2
				Lump sum	-	-
M Kilbride	Senior Councillor (2)	2,187	1,915	Pension	2	-
				Lump sum	-	-
A Lamont	Senior Councillor (1)	1,970	797	Pension	1	-
				Lump sum	-	-
B Pollock	Senior Councillor (1)/Senior Councillor (2) (Note 6)	2,002	2,012	Pension	5	1
				Lump sum	-	-
P Saxton	Senior Councillor (1)/Councillor (Note 7)	1,690	1,174	Pension	10	-
				Lump sum	2	-
G Scott	Chair of AVJB (Note 8)	1,737	-	Pension	2	2
				Lump sum	-	-
R Shields	Senior Councillor (2)	2,187	2,012	Pension	2	-
				Lump sum	-	-
		26,016	20,175		64	8

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.

Note 1 denotes that B Connolly was appointed Leader of the Council from 20th September 2025.

Note 2 denotes that M Dowey is no longer in position of Leader of the Council from 2nd May 2025.

Note 3 denotes I Campbell was no longer in position of Provost between 2nd May 2025 to 20th May 2025.

Note 4 denotes C Cullen was appointed Senior Councillor (2) from 23rd May 2025.

Note 5 denotes M Dixon was appointed Senior Councillor (2) from 23rd May 2025 also Chair of Ayrshire Valuation Joint Board (AVJB) (Deceased 22nd July 2025).

Note 6 denotes that B Pollock is no longer in position of Senior Councillor (2) from 23rd May 2025.

Note 7 denotes that P Saxton was appointed Senior Councillor (1) from 23rd May 2025.

Note 8 denotes that G Scott was appointed Chair of AVJB 25th September 2025.

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 2026 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 March 2026	For year to 31 March 2025	As at 31 March 2026	Difference from 31 March 2025
	£	£	£'000	£'000
S Penman - Chief Executive (Note 1)	4,232	-	Pension 1	1
			Lump Sum -	-
C Sneddon - Interim Chief Executive (Note 2)	4,144	-	Pension 1	1
			Lump Sum -	-
L McRoberts -- Interim Chief Executive/Depute Chief Executive & Director of Education (Note 3)	3,096	8,969	Pension 11	3
			Lump Sum -	-
M Newall - Chief Executive (Note 4)	1,256	10,411	Pension 85	(6)
			Lump Sum 160	2
T Eltringham -- Director of Health & Social Care Partnership (Note 5)	5,137	9,664	Pension 64	(21)
			Lump Sum 104	(22)
M Inglis - Director of Health & Social Care Partnership (Note 6)	7,858	-	Pension 53	53
			Lump Sum 53	53
K Braidwood - Director of Housing, Operations & Development	8,896	8,732	Pension 83	6
			Lump Sum 143	5
S Mulholland - Director of Education (Note 7)	7,537	-	Pension 7	7
			Lump Sum -	-
J Bradley - Director of Communities & Transformation	8,446	8,732	Pension 55	5
			Lump Sum 53	2
T Baulk - Chief Financial Officer	6,716	6,954	Pension 58	1
			Lump Sum 72	(3)
C Caves - Chief Governance Officer	6,872	7,525	Pension 35	2
			Lump Sum 12	(1)
W Wesson -- Chief HR Adviser	6,304	6,382	Pension 38	1
			Lump Sum 38	(2)
C McGhee -- Chief Internal Auditor	4,003	4,463	Pension 28	1
			Lump Sum 30	(2)
K Anderson - Assistant Director - Corporate Policy, Strategy & Performance (Note 8)	6,255	-	Pension 28	28
			Lump Sum 7	7
	80,752	71,832	1,219	121

Note 1 Denotes S Penman commenced the role of Chief Executive on 17th November 2025.

Note 2 Denotes C Sneddon commenced the role of Interim Chief Executive from 14th July 2025 until 30th November 2025.

Note 3 Denotes L McRoberts commenced the role of Interim Chief Executive from 9th June 2025 until 3rd August 2025. prior to this in post as Depute Chief Executive & Director of Education till 8th June 2025.

Note 4 Denotes M Newall is no longer in the position of Chief Executive from 30th June 2025.

Note 5 Denotes T Eltringham is no longer in the position of Director of Health and Social Care from 16th November 2025.

Note 6 Denotes M Inglis commenced the role of Director of Health and Social Care from 10th November.

Note 7 Denotes S Mullholland commenced the role of Director of Education on 3rd October 2025 prior to this in the role of Interim Director of Education from 9th June 2025.

Note 8 Denotes K Anderson from 7th February 2025 due to a structure change reports directly to the Chief Executive and therefore should be included in Senior Employees.

Exit packages of employees (subject to audit)

The table below sets out the number and costs of exit packages for both 2025-2026 and 2024-2025 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)	2025-2026			2024-2025		
	Number of exit packages	Cost	Notional CAY cost	Number of exit packages	Cost	Notional CAY cost
		£	£		£	£
£0 - £20,000	-	-	-	2	23,187	-
£20,001 - £40,000	-	-	-	-	-	-
£40,001 - £60,000	3	166,039	49,759	-	-	-
£60,001 - £80,000	-	-	-	1	62,048	-
£80,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	1	151,781	-	-	-	-
Total	4	317,820	49,759	3	85,235	-

There were no compulsory redundancies during 2025-2026 or 2024-2025.

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 required the Council to collate and publish information, this has been superseded by the Employment Rights Act 2025 which has made significant changes to trade union legislation, these changes include that Public Sector employers are no longer required to publish facility time data.

To be signed on behalf of South Ayrshire Council by the Leader and the Chief Executive Officer (audited accounts only).

Section 5: Core Financial Statements

I) Comprehensive Income and Expenditure Statement for the year ended 31 March 2026

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 taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis.

2024-2025				2025-2026				
Expend £'000	Council		Group Net £'000		Expend £'000	Council		Group Net £'000
	Income £'000	Net £'000				Income £'000	Net £'000	
40,793	(24,489)	16,304	16,304	Chief Executive's Office	41,884	(22,121)	19,763	19,763
165,694	(14,846)	150,848	150,848	Education	168,150	(11,764)	156,386	156,386
72,819	(16,472)	56,347	56,190	Housing, Operations and Development	73,577	(18,102)	55,475	55,327
34,656	(36,195)	(1,539)	(1,539)	Housing Revenue Account	37,706	(38,556)	(850)	(850)
53,360	(17,231)	36,129	35,880	Communities and Transformation	49,832	(13,767)	36,065	35,848
108,676	-	108,676	108,676	Social Care: Contribution to IJB	113,229	-	113,229	113,229
129,879	(136,146)	(6,267)	(6,267)	Social Care: Provision of Services	139,070	(144,134)	(5,064)	(5,064)
7,523	(190)	7,333	7,313	Miscellaneous Services	6,122	(679)	5,443	5,435
-	-	-	542	Common Good Funds	-	-	-	352
613,400	(245,569)	367,831	367,947	Cost of services	629,570	(249,123)	380,447	380,426
		4,392	4,392	Loss on disposal of non-current assets			497	497
		(1,287)	(1,287)	Gain on lease recognition (IFRS16)			677	677
				Financing and investment income and expenditure:				
		25,231	25,231	Interest payable and similar charges			27,240	27,240
		(2,517)	(2,517)	Interest and investment income		<i>Note 10</i>	(2,391)	(2,391)
		1,492	1,492	Net interest on the Net Defined Pension liability		<i>Note 27</i>	1,470	1,470
		-	1,602	Share of (surplus)/ deficit on provision of services by associates			-	(1,628)
		(376,018)	(376,018)	Taxation and non-specific grant income		<i>Note 21</i>	(404,206)	(404,206)
		19,124	20,842	Deficit on the provision of services			3,734	2,085
		85,626	85,626	(Surplus)/Deficit on the revaluation of Non- Current Assets			1,688	1,688
		(24)	(24)	(Surplus)/Deficit on financial assets measured at fair value			(38)	(38)
		(16,593)	(16,593)	Remeasurements of the Net Defined Pension benefit liability/(asset)		<i>Note 27</i>	(9,764)	(9,764)
		-	(199)	Share of other comprehensive income and expenditure of associates			-	403
		-	-	Other unrealised (gains) or losses			5,290	5,290
		69,009	68,810	Other comprehensive expenditure/ (income)			(2,824)	(2,421)
		88,133	89,652	Total comprehensive expenditure/(income)			910	(336)

II) Movement in Reserves Statement for the year ended 31 March 2026

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 111 to 113.

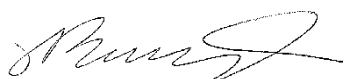
2025-2026	Council Reserves								Share of Group	Total Group Reserve
	General fund balance	Housing revenue account balance	Capital grants unapplied account	Other Statutory Funds	Capital fund	Total usable reserve	Unusable reserves	Total Council reserves	Usable and unusable	Usable and unusable
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	23,270	4,464	8,814	845	148	37,541	361,624	399,165	48,118	447,283
Movement in reserves during 2025-2026										
(Deficit)/ surplus on the provision of services	(1,676)	(2,058)	-	-	-	(3,734)	-	(3,734)	1,649	(2,085)
Other comprehensive income and expenditure	-	-	(5,371)	-	-	(5,371)	8,195	2,824	(403)	2,421
Total comprehensive income and expenditure	(1,676)	(2,058)	(5,371)	-	-	(9,105)	8,195	(910)	1,246	336
Adjustments between accounting basis and funding basis (Note 5)	8,778	3,690	(1,734)	(244)	-	10,490	(10,490)	-	-	-
Net increase/ (decrease) before transfers	7,102	1,632	(7,105)	(244)	-	1,385	(2,295)	(910)	1,246	336
Transfers to/from earmarked reserves (Note 6)	(40)	-	-	34	6	-	-	-	-	-
Increase/ (decrease) in 2025-2026	7,062	1,632	(7,105)	(210)	6	1,385	(2,295)	(910)	1,246	336
Balance at 31 March 2026	30,332	6,096	1,709	635	154	38,926	359,329	398,255	49,364	447,619

2024-2025	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 2024	28,591	2,520	9,701	1,171	144	42,127	445,171	487,298	49,637	536,935
Movement in reserves during 2024-2025										
(Deficit)/ surplus on the provision of services	(24,545)	5,421	-	-	-	(19,124)	-	(19,124)	(1,718)	(20,842)
Other comprehensive income and expenditure	-	-	-	-	-	-	(69,009)	(69,009)	199	(68,810)
Total comprehensive income and expenditure	(24,545)	5,421	-	-	-	(19,124)	(69,009)	(88,133)	(1,519)	(89,652)
Adjustments between accounting basis and funding basis (Note 5)	19,278	(3,477)	(887)	(376)	-	14,538	(14,538)	-	-	-
Net increase/ (decrease) before transfers	(5,267)	1,944	(887)	(376)	-	(4,586)	(83,547)	(88,133)	(1,519)	(89,652)
Transfers to/from earmarked reserves (Note 6)	(54)	-	-	50	4	-	-	-	-	-
Increase/ (decrease) in 2024-2025	(5,321)	1,944	(887)	(326)	4	(4,586)	(83,547)	(88,133)	(1,519)	(89,652)
Balance at 31 March 2025	23,270	4,464	8,814	845	148	37,541	361,624	399,165	48,118	447,283

III) Balance Sheet as at 31 March 2026

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".

2024-2025			2025-2026		
Council £'000	Group £'000		Note	Council £'000	Group £'000
995,442	1,007,328	Property, plant, and equipment	7	1,007,331	1,019,383
6,241	6,241	Heritage assets	8	6,241	6,241
16,592	16,592	Intangible assets	9	15,272	15,272
1,090	1,090	Long-term investments	10	1,127	1,127
1,019,365	1,031,251	Long-term assets		1,029,971	1,042,023
-	-	Short-term investments	10	-	-
516	516	Assets held for sale	14	517	517
680	682	Inventories	11	655	657
38,593	38,595	Short-term debtors	12	49,413	49,416
11,833	11,833	Cash and cash equivalents	13	6,983	6,983
51,622	51,626	Current assets		57,568	57,573
(106,174)	(106,174)	Short-term borrowing	10	(99,445)	(99,445)
(80,408)	(80,508)	Short-term creditors	15	(73,794)	(73,902)
(1,314)	(1,334)	Short-term provisions	16	(1,101)	(1,121)
(10,386)	(6,892)	Other short-term liabilities	17	(8,815)	(6,414)
(198,282)	(194,908)	Current liabilities		(183,155)	(180,882)
(466)	(466)	Long-term provisions	16	(439)	(439)
-	32,884	Investments in associates/joint ventures		-	35,094
(334,139)	(334,139)	Long-term borrowing	10	(378,839)	(378,839)
(9,453)	(9,453)	Other long-term liabilities (finance leases)	24	(12,626)	(12,626)
(21,776)	(21,776)	Other long-term liabilities (pensions)	27	(21,302)	(21,302)
(107,706)	(107,736)	Other long-term liabilities	10	(92,923)	(92,953)
(473,540)	(440,686)	Long-term liabilities		(506,129)	(471,065)
399,165	447,283	Net assets		398,255	447,649
37,541	37,541	Usable reserves	6	38,926	38,926
361,624	361,624	Unusable reserves	18	359,329	359,329
-	48,118	Group reserves		-	49,394
399,165	447,283	Total reserves		398,255	447,649



Tim Baulk BA Acc CPFA

24 June 2026

(11,833)

(11,833)

Cash and cash equivalents at the end of the reporting period

13

(6,983)

(6,983)

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

2024-2025

2025-2026

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
15,268	1,036	16,304	Chief Executive's Office	19,029	734	19,763
135,981	14,867	150,848	Education	142,164	14,222	156,386
48,362	7,985	56,347	Housing, Operations and Development	45,349	10,126	55,475
(6,523)	4,984	(1,539)	Housing Revenue Account	(7,385)	6,535	(850)
23,958	12,171	36,129	Communities and Transformation	22,773	13,292	36,065
108,676	-	108,676	Social Care: Contribution to IJB	113,229	-	113,229
(9,078)	2,811	(6,267)	Social Care: Provision of Services	(7,161)	2,097	(5,064)
16,258	(8,925)	7,333	Miscellaneous Services	14,151	(8,708)	5,443
332,902	34,929	367,831	Net Cost of Services	342,149	38,298	380,447
(329,579)	(19,128)	(348,707)	Other Income and Expenditure	(350,883)	(25,830)	(376,713)
3,323	15,801	19,124		(8,734)	12,468	3,734
Total £'000				General Fund £'000	HRA £'000	Total £'000
31,111			Opening General Fund and HRA balance	23,270	4,464	27,734
(3,323)			Less/Plus (deficit)/surplus on General Fund and HRA balance in the year	7,102	1,632	8,734
(54)			Transfer from earmarked reserves	(40)	-	(40)
27,734			Closing General Fund and HRA balance as of 31 March	30,332	6,096	36,428

Comprehensive Income and Expenditure Statement.

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.

2025-2026	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	62	625	47	734
Education	12,687	1,086	449	14,222
Housing, Operations and Development	8,668	1,373	85	10,126
Housing Revenue Account	6,290	230	15	6,535
Communities and Transformation	12,365	868	59	13,292
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	1,969	128	2,097
Miscellaneous Services	(10,374)	1,669	(3)	(8,708)
Net cost of services	29,698	7,820	780	38,298
Other Income and Expenditure from the Expenditure and Funding Analysis	(26,451)	1,470	(849)	(25,830)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	3,247	9,290	(69)	12,468

2024-2025	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	89	939	8	1,036
Education	12,915	1,789	163	14,867
Housing, Operations and Development	5,771	2,198	16	7,985
Housing Revenue Account	4,639	342	3	4,984
Communities and Transformation	10,745	1,414	12	12,171
Social Care: Contribution to IJB	-	-	-	-
Social Care: Provision of Services	-	2,761	50	2,811
Miscellaneous Services	(11,324)	2,397	2	(8,925)
Net cost of services	22,835	11,840	254	34,929
Other Income and Expenditure from the Expenditure and Funding Analysis	(20,202)	1,492	(418)	(19,128)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure Statement	2,633	13,332	(164)	15,801

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 receivables 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* pensions 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 are analysed as follows:

	2025-2026 £'000	2024-2025 £'000
Expenditure		
Employee benefit expenses	263,804	251,696
Other service expenses	313,943	319,159
Depreciation, amortisation and impairment	53,293	44,037
Interest payments	27,240	25,231
(Gain) or Loss on the disposal of assets	1,174	3,105
Total Expenditure	659,454	643,228
Income		
Fees, charges and other service income	(249,123)	(245,569)
Interest & investment income	(2,391)	(2,517)
Income from Council Tax, non-domestic rates	(124,134)	(114,388)
Government grants and contributions	(280,072)	(261,630)
Total Income	(655,720)	(624,104)
Deficit on the provision of services	3,734	19,124

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)

	2025-2026 £'000	2024-2025 £'000
Adjustments between Accounting Basis and Funding Basis per EFA	12,468	15,801
Application of receipts to finance capital expenditure	(2,419)	(1,643)
Transfer of capital receipts from revenue to reserves	441	380
Adjustments between Accounting Basis and Funding Basis per MiRS	10,490	14,538

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:

	2025-2026 £'000	2024-2025 £'000
Housing Benefit/ Discretionary Housing Payments paid	18,546	23,295
Housing Benefit/ Discretionary Housing funding received	(16,938)	(21,721)

Note 4: Events after the Balance Sheet date

The unaudited Annual Accounts were authorised for issue on 24 June 2026.

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 Annual Accounts are 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 2025-26.

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.

2025-2026

	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	-	-	2,175	244	-	(2,419)
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	(35,399)	(14,178)	-	-	-	49,577
Amortisation of intangible assets	(3,716)	-	-	-	-	3,716
Capital grants and contributions applied	24,993	2,632	(441)	-	-	(27,184)
Net gain or (loss) on sale of non-current assets	(497)	-	-	-	-	497
Net gain or (loss) on recognition of leases (IFRS16)	(677)	-	-	-	-	677
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	13,185	3,361	-	-	-	(16,546)
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	-	-	-	-	-	-
Capital expenditure charged against the general fund and HRA balances	2,523	4,526	-	-	-	(7,049)
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	585	264	-	-	-	(849)
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	(765)	(15)	-	-	-	780
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 28)	(9,010)	(280)	-	-	-	9,290
Total adjustments	(8,778)	(3,690)	1,734	244	-	10,490

Figures for 2024-2025 are provided in an additional table below for the purposes of comparison.

2024-2025

	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	-	-	1,267	376	-	(1,643)
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	(27,993)	(12,479)	-	-	-	40,472
Amortisation of intangible assets	(3,565)	-	-	-	-	3,565
Capital grants and contributions applied	14,725	8,581	(380)	-	-	(22,926)
Net gain or (loss) on sale of non-current assets	(4,215)	(176)	-	-	-	4,391
Net gain or (loss) on recognition of leases (IFRS16)	1,287	-	-	-	-	(1,287)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	12,170	2,443	-	-	-	(14,613)
Statutory Repayment of Debt (PFI) retrospective flexibility adjustment	-	-	-	-	-	-
Capital expenditure charged against the general fund and HRA balances	1,192	5,397	-	-	-	(6,589)
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	318	100	-	-	-	(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	(251)	(3)	-	-	-	254
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 28)	(12,946)	(386)	-	-	-	13,332
Total adjustments	(19,278)	3,477	887	376	-	14,538

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

Movement in usable reserves - This note details the movement during the year on all usable reserves held by the Council on 31 March 2026, along with the purpose of each fund held.

Reserve:	31 March 2025 £000	Movements during the year £000	31 March 2026 £000	Purpose
General Fund balance uncommitted	4,804	4,096	8,900	This balance represents 3.28% of planned expenditure.
Affordable Housing	1,723	904	2,627	Contributes towards the provision of new build social housing.
Transformation Fund	5,135	(325)	4,810	Used to provide short-term enabling funding to promote and support service redesign.
Workforce Change Fund	5,449	(200)	5,249	Used to meet the severance and other employee related costs arising from any Council's workforce service redesign measures.
Earmarked Funds				
Civil Contingency	124	52	176	Various projects for which funds have been identified prior to March 2026 but where spending plans exist in future years.
Ayrshire Growth Deal - PMO	39	(39)	-	
Community Hall fund	500	-	500	
Directorate Earmarking	2,559	1,122	3,681	
PPP Reserve commitment to 2026-27 budget	2,000	-	2,000	
Ash Tree Die back	233	-	233	
Financial Inclusion	704	(342)	362	
Airshow income reserve	-	429	429	
Budget contribution 2026-27	-	1,365	1,365	
General Fund Balance	23,270	7,062	30,332	
Reserve (continued):				
	31 March 2025 £000	Movements during the year £000	31 March 2026 £000	Purpose
Housing Revenue Account	4,464	1,632	6,096	£3.063m is earmarked to fund specific capital and revenue projects in future years leaving an uncommitted balance of £3.032m to be held as a contingency for unexpected or emergency situations.
Housing Revenue Account Balance	4,464	1,632	6,096	
Other Reserves				
Capital grants unapplied	8,814	(7,105)	1,709	Records amounts that have been credited to the Comprehensive Income and Expenditure Statement but not yet applied to fund capital expenditure.
Capital fund	148	6	154	Used for financing capital expenditure and the repayment of the principal of loans.
Repair and renewals fund	845	(210)	635	Used for abnormal repairs and maintenance to Council properties. It may also be used to facilitate asset improvement and savings/ efficiencies.
Other Reserves Balance	9,807	(7,309)	2,498	
Total Usable Reserves	37,541	1,385	38,926	Total Usable Reserves per the Movement in Reserves Statement on Page 45

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 2025-2026. Figures for 2024-2025 are provided in an additional table below for the purposes of comparison.

2025-2026

	General Fund Balance	Repairs and Renewals Fund	Capital Fund
	£'000	£'000	£'000
Contribution to Repair and Renewal Fund from General Fund	34	(34)	-
Contribution from Capital Fund to General Fund	6	-	(6)
Total adjustments	40	(34)	(6)

2024-2025

	General Fund Balance	Repairs and Renewals Fund	Capital Fund
	£'000	£'000	£'000
Contribution to Repair and Renewal Fund from General Fund	50	(50)	-
Contribution from Capital Fund to General Fund	4	-	(4)
Total adjustments	54	(50)	(4)

Note 7: Property, Plant and Equipment

This note details the movement in Property, Plant and Equipment (PPE) during 2025-26. The valuation bases, useful lives and depreciation methods used are disclosed below.

2025-2026

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Right of Use	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2025	296,586	393,390	165,469	21,528	1,529	2,309	51,202	15,960	947,973
Additions in year	12,799	8,756	2,044	651	459	184	38,384	7,364	70,641
Disposals in year		(307)	-	(5,102)	-	-	(26)	(26)	(5,461)
Revaluation adjustments to revaluation reserve	(16,471)	(14,433)	(14,749)	(10)	48	(181)	-	-	(45,796)
Revaluation adjustments to CIES	(625)	(18,588)	(425)	-	(773)	(169)	-	-	(20,580)
Other reclassifications*	4,050	1,862	-	(157)	296	3	(10,099)	2,238	(1,807)
At 31 March 2026	296,339	370,680	152,339	16,910	1,559	2,146	79,461	25,536	944,970
Depreciation and impairment									
At 1 April 2026	-	11,835	4,115	10,973	-	18	3,829	3,118	33,888
Depreciation charge for the year	13,356	9,539	3,713	3,131	-	80	-	4,701	34,520
Depreciation/Impairment written to revaluation reserve	(13,356)	(14,086)	(6,468)	(1)	-	(92)	-	-	(34,003)
Impairment losses to CIES	-	(6,524)	(1,359)	-	-	(4)	-	-	(7,887)
On disposals	-	(23)	-	(5,041)	-	-	-	-	(5,064)
Other reclassifications	-	(181)	(1)	(30)	-	1	-	-	(211)
At 31 March 2026	-	560	-	9,032	-	3	3,829	7,819	21,243
Net book value at 31 March 2026	296,339	370,120	152,339	7,878	1,559	2,143	75,632	17,717	923,727
Nature of asset holding									
Owned	296,339	370,120	-	7,878	1,559	2,143	75,632	-	753,671
Finance lease	-	-	-	-	-	-	-	17,717	17,717
PPP	-	-	152,339	-	-	-	-	-	152,339
	296,339	370,120	152,339	7,878	1,559	2,143	75,632	17,717	923,727

Schools PPP Assets - IFRS16 implications - The three Council PPP schemes have been remeasured by a combined total of £10.121 million, with an equal reduction in finance lease liabilities as at 31 March 2026. Thereafter, given that PPP assets are treated in the same way as other Property, Plant and Equipment (PPE) assets and are held at a current value basis and are subject to regular valuation, the increase to the asset balance referred to above on transition is an increase to the historic cost of the asset, which has resulted in a value for the asset that exceeds the current valuation. It has been necessary to write the asset back up to its confirmed most recent valuation amount by making a revaluation adjustment. This adjustment has been

matched by a reduction in the revaluation gains previously accumulated in the revaluation reserve for the assets. Further detail is provided in Note 25.

Right of Use Asset - The Council adopted IFRS 16 (Leases) with effect from 1 April 2024. The main impact of the requirements of IFRS 16 is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset, and future rents as a liability), a right-of-use asset £17.717m and a lease liability are included on the balance sheet as at 31 March 2026.

2024-2025

	Council Dwellings	Other Land & Buildings	Schools PPP Assets	Vehicles, Plant & Equipment	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Right of Use	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2024	324,881	392,626	163,529	43,267	574	1,677	55,852	8,871	991,277
Additions in year	30,493	9,452	1,926	2,074	1,130	576	32,338	7,089	85,078
Disposals in year		(3,866)	-	(21,638)	-	(25)	(3,511)	-	(29,040)
Revaluation adjustments to revaluation reserve	(88,109)	(327)	-	(2,935)	(7)	(52)	-	-	(91,430)
Revaluation adjustments to CIES	-	(5,128)	-	-	(178)	33	-	-	(5,273)
Other reclassifications*	29,321	633	14	760	10	100	(33,477)	-	(2,639)
At 31 March 2025	296,586	393,390	165,469	21,528	1,529	2,309	51,202	15,960	947,973
Depreciation and impairment									
At 1 April 2024	21,032	4,766	444	34,402	-	8	819	-	61,471
Depreciation charge for the year	12,317	9,691	3,671	3,104	-	101	-	3,118	32,002
Depreciation/Impairment written to revaluation reserve	(33,349)	(1,127)	-	(4,956)	-	(9)	-	-	(39,441)
Impairment losses to CIES	-	(1,089)	-	-	-	(82)	3,829	-	2,658
On disposals	-	(325)	-	(21,638)	-	(2)	(819)	-	(22,784)
Other reclassifications	-	(81)	-	61	-	2	-	-	(18)
At 31 March 2025	0	11,835	4,115	10,973	0	18	3,829	3,118	33,888
Net book value at 31 March 2025	296,586	381,555	161,354	10,555	1,529	2,291	47,373	12,842	914,085
Nature of asset holding									
Owned	296,586	379,317	-	10,555	1,529	2,291	47,373	-	737,651
Finance lease	-	2,238	-	-	-	-	-	12,842	15,080
PPP	-	-	161,354	-	-	-	-	-	161,354
	296,586	381,555	161,354	10,555	1,529	2,291	47,373	12,842	914,085

Infrastructure Assets (Note 1 below)

2024-25 £'000		2025-26 £'000
76,617	Net book value at 31 March	81,357
6,231	Expenditure	4,269
1,323	Reclassifications	986
(2,814)	Depreciation	(3,008)
81,357	Net book value at 31 March	83,604
914,085	Other PPE Assets (tables above)	923,727
995,442	Total Property Plant and Equipment assets	1,007,331

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 2026, 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 2026, 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 89 to 102 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 valuation
Schools' PPP assets	~	40	Estates Co-ordinator	Current Value	Valued on a 5-year rolling programme.
Other land and buildings	Buildings	Up to 40	Estates Co-ordinator/ External valuer	Current Value / Fair Value / Historic Cost	As above
	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	As above
Council dwellings	~	22	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	Current Value/Historical Cost	As above
Infrastructure assets	~	Up to 40	Not applicable	Historical Cost	Not Applicable
Assets under construction	~	Up to 99	Not applicable	Historical Cost	Not Applicable
Community assets	~	99 to 999	Not applicable	Current value/Historical Cost	As above
Right of Use	~	Up to 99	Not applicable	Current Value	Valued on a 5-year rolling programme

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 89 to 102 under "Property, plant and equipment". Traditionally each year the land and buildings of a different class were 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.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where an asset has not been revalued in year as part of the rolling five-year programme, an annual indexation is applied to those assets during the intervening years until a formal revaluation takes place as part of the rolling programme.

The changes to the Code do not apply to the following categories of assets:

- Council Dwellings
- Heritage assets
- Infrastructure assets
- Investment assets
- Community assets
- Non-property assets with short useful lives*
- Assets under construction

*Short life is considered to be a Useful Economic Life of ten years or less

Council Dwelling assets also fall under the remit of CIPFA/LASAAC and are required to be valued using the existing use value – social housing (EUV–SH) basis. The beacon approach is commonly applied to these assets. Similar to other assets categories held by the Council, Council dwellings are formally revalued every five years using the beacon principle however an indexation methodology has previously been established to account for market value fluctuations in the intervening years between formal valuations to ensure the value of the Council Dwelling stock held in the balance sheet reasonably reflects current market conditions. This method has continued to be applied in 2025-6 using the applicable indexation provided by the District Valuer identified in the table below.

For the Land element of Depreciated Replacement Cost assets held by the Council, as no readily identifiable indexation is available, the CBRE - All property index has been applied as a proxy to provide a movement on the current values of Land held.

The following indexations have been applied in 2025-26 to various assets within the applicable categories resulting in an overall increase in valuation for property, plant and equipment of £6.091m:

Index	% applied	Valuation Change £'000
BCIS - All-in Tender price index – various asset types	2.80	9,249
CoStar – Southern Scotland - Office assets	3.20	74
CoStar – Southern Scotland - Retail assets	(2.20)	(63)
CoStar – Southern Scotland - Industrial assets	5.30	144
CBRE - All property index – Land assets	0.60	180
UK House Price Index by region for Council Dwellings	(1.00)	(3,493)
Total Indexation valuation applied		<u>6,091</u>

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

Net 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	Community Assets £000	Surplus Assets £000	Total £000
Carried at historic cost	-	338	-	7,878	-	-	8,216
Valued at current value as at:							
31 March 2026	296,339	365,233	152,339	-	225	2,116	816,252
31 March 2025	-	259	-	-	17	26	302
31 March 2024	-	1,267	-	-	1,317	-	2,584
31 March 2023	-	-	-	-	-	-	-
31 March 2022	-	3,023	-	-	-	-	3,023
Total cost or valuation	296,339	370,120	152,339	7,878	1,559	2,142	830,377

Commitments under capital contracts

The Council approved capital investment programmes for General Services and Housing for 2026-2027 for construction or enhancement of property, plant, and equipment, as outlined in the table below.

	General Services £'000	Housing £'000	2026-27 Total £'000	2025-26 Total £'000
Expenditure				
Capital investment	97,302	65,627	162,929	144,293
	97,302	65,627	162,929	144,293
Sources of finance				
Prudential borrowing	72,141	56,051	128,192	120,626
Capital grants, contributions, and other receipts	25,161	6,006	31,167	20,441
Capital funded from current revenue	-	3,570	3,570	3,226
	97,302	65,627	162,929	144,293

Note 8: Heritage assets

Valuation	Fine Arts £'000	Other Heritage Assets £'000	Civic Regalia £'000	Total Heritage Assets £'000
1 April 2024	2,167	3,802	192	6,161
Additions	-	80	-	80
31 March 2025	2,167	3,882	192	6,241
1 April 2025	2,167	3,882	192	6,241
Additions	-	-	-	-
31 March 2026	2,167	3,882	192	6,241

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 22 December 2021
Christie's 5 January 2022

Civic regalia and other civic 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 Turnball 22 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 five or seven 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 2026 £'000	31 March 2025 £'000
Balance at start of year:		
Gross carrying amounts	25,469	25,638
Accumulated amortisation	(8,877)	(10,072)
Net carrying amount at start of year	16,592	15,566
Purchases	1,982	4,037
Disposal/Derecognition	(4,668)	(4,760)
Reclassifications*	897	554
Amortisation for the period	(3,716)	(3,565)
Amortisation written out on disposal/derecognition	4,185	4,760
Net carrying amount at end of the year	15,272	16,592
Comprising:		
Gross carrying amounts	23,680	25,469
Accumulated amortisation	(8,408)	(8,877)
	15,272	16,592

*Net reclassifications from Assets Under Construction 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 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2026 £'000	31 March 2025 £'000
Amortised Cost	246	247	-	-	-	-	49,413	38,593
Fair value through other comprehensive income - other	881	843	-	-	-	-	-	-
Total financial assets	1,127	1,090	-	-	-	-	49,413	38,593
Non-financial assets	-	-	-	-	-	-	-	-
Total	1,127	1,090	-	-	-	-	49,413	38,593

Financial Liabilities	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
2026	2025	2026	2025	2026	2025	2026	2025	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Amortised Cost Note 1*	(378,839)	(334,139)	-	-	(99,445)	(106,174)	(73,794)	(80,408)
Total financial liabilities	(378,839)	(334,139)	-	-	(99,445)	(106,174)	(73,794)	(80,408)
Finance lease liabilities	-	(2,164)	-	-	-	(155)	-	-
Right of Use Liabilities Note 2*	(12,626)	(7,289)	-	-	(3,464)	(3,500)	-	-
PPP	(92,923)	(107,706)	-	-	(5,222)	(5,795)	-	-
Total non-financial liabilities	(105,549)	(117,159)	-	-	(8,686)	(9,451)	-	-
Total	(484,388)	(451,298)	-	-	(108,131)	(115,624)	(73,794)	(80,408)

*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.

*Note 2

- Right of Use liabilities have been added per the new CIPFA regulations for leases (IFRS16), which have been adopted as at 1st April 2024.
- Finance Lease liabilities are now reported within Right of Use liabilities

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:

	2025-2026		2024-2025	
	(Surplus)/deficit on the provision of services	Other comprehensive income and expenditure	(Surplus)/deficit on the provision of services	Other comprehensive income and expenditure
	£'000	£'000	£'000	£'000
Net (gains)/losses on:				
Financial assets measured at amortised cost	(2,391)	-	(2,517)	-
Financial assets measured at fair value through other comprehensive income	-	(38)	-	(24)
Financial liabilities measured at amortised cost	26,494	-	25,232	-
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	-	-	-	-
Total net losses/(gains)	24,103	(38)	22,715	(24)

Interest revenue:

Financial assets measured at amortised cost	(2,391)	-	(2,517)	-
Financial assets measured at fair value through other comprehensive income	-	(38)	-	(24)
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	-	-	-	-
	(2,391)	(38)	(2,517)	(24)
Interest expense	26,494	-	25,232	-

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) the fair value has been calculated using PWLB new loan rates (certainty rate) for new borrowing at 31 March 2026 (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.
- 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 of 31 March 2026, the fair values of financial assets and financial liabilities are calculated as follows:

	31 March 2026		31 March 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£'000	£'000	£'000	£'000
PWLB	341,431	266,336	281,651	213,425
LOBO (Option)	18,681	15,667	28,470	23,747
Market Debt	30,764	29,143	55,113	53,991
Short Term Borrowing	87,049	87,049	74,278	74,278
Sub Total Borrowing	477,925	398,195	439,512	365,441
PPP Liability	98,145	98,145	113,501	113,501
Short Term Finance Lease Liability	-	-	155	155
Long Term Finance Lease Liability	-	-	2,164	2,164
Right of Use Lease – Short Term	3,464	3,464	3,500	3,500
Right of Use Lease – Long Term	12,626	12,626	7,289	7,289
Short Term Creditors	73,794	73,794	80,408	80,408
	188,029	188,029	207,017	207,017
EIR Accounting Entry	359	359	802	802
Total Liabilities	666,313	586,583	647,331	573,260

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

	31 March 2026		31 March 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities	£'000	£'000	£'000	£'000
PWLB	341,431	288,254	281,651	236,200
LOBO (Option)	18,681	21,175	28,470	32,079
Market Debt	30,764	30,123	55,113	55,310
Short Term Borrowing	87,049	87,049	74,278	74,278
Sub Total Borrowing	477,925	426,601	439,512	397,867
PPP Liability	98,145	98,145	113,501	113,501
Short Term Finance Lease Liability	-	-	155	155
Long Term Finance Lease Liability	-	-	2,164	2,164
Right of Use Lease – Short Term	3,464	3,464	3,500	3,500
Right of Use Lease – Long Term	12,626	12,626	7,289	7,289
Short Term Creditors	73,794	73,794	80,408	80,408
	188,029	188,029	207,018	207,017
EIR Accounting Entry	359	359	802	802
Total Liabilities	666,313	614,989	647,331	605,686

The fair value of the liabilities is less than the carrying amount because the Council's portfolio of loans includes several fixed rate loans with varying interest rates compared to similar loans in the market at the Balance Sheet date.

The fair value of PWLB loans of £266,336m (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:

	31 March 2026		31 March 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets	£'000	£'000	£'000	£'000
Long term investments	1,127	1,089	1,090	1,079
Investments	-	-	-	-
Current asset debtors	49,413	49,413	38,593	38,593
	50,540	50,502	39,683	39,672

The fair value of the assets is lower than the carrying amount because the Council's portfolio of loans includes several fixed rate investments with varying interest rates compared to similar investments in the market at the Balance Sheet date.

Note 11: Inventories

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	2026 £'000	2025 £'000	2026 £'000	2025 £'000	2026 £'000	2025 £'000	2026 £'000	2025 £'000
As at 31 March,								
Balance outstanding at start of year	232	263	379	352	68	58	679	673
Purchases	1,412	1,487	1,544	1,636	2,021	2,031	4,977	5,154
Recognised as an expense in year	(1,427)	(1,495)	(1,548)	(1,609)	(2,024)	(2,021)	(4,999)	(5,125)
Written off balances	(2)	(20)	-	-	-	-	(2)	(20)
Reversals of write-offs in previous years	-	(2)	-	-	-	-	-	(2)
Balance outstanding at year end	215	233	375	379	65	68	655	680

Note 12: Debtors

	2025-2026 £'000	2024-2025 £'000
Trade receivables	29,058	28,140
Prepayments	2,136	1,787
Council Tax*	6,735	5,816
Non-Domestic Rates*	2,840	2,825
Other receivable amounts	8,644	25
Total	49,413	38,593

* 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.

	2025-2026 £'000	2024-2025 £'000
Cash held by the authority	50	49
Bank current accounts	(2,357)	(2,378)
Short term/Callable deposits held with UK banks	9,290	14,162
Total cash and cash equivalents	6,983	11,833

Note 14: Assets held for sale

	2025-2026 £'000	2024-2025 £'000
Balance outstanding at start of year	516	756
Derecognised/disposed	-	(355)
Revaluation increases/(losses)	1	115
Balance outstanding at year end	517	516

Note 15: Creditors

	2025-2026	2024-2025
	£'000	£'000
Trade Creditors	50,531	70,030
Other payable amounts	23,263	10,378
Total	73,794	80,408

Note 16: Provisions

	Enterprise/ Housing	Community Provisions	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 2025	247	1,067	1,314	89	19	358	466	1,780
Additions to/ (reduction in) provisions in 2025-26	208	(162)	46	-	9	(25)	(16)	30
Amounts applied in 2025-26	(112)	(147)	(259)	(11)	-	-	(11)	(270)
Reclassified	312	(312)	-	-	-	-	-	-
Balance as at 31 March 2026	655	446	1,101	78	28	333	439	1,540

The Council has made a provision in respect of several potential claims outstanding on 31 March 2026, including for employee-related claims, the Council's share of the former Strathclyde Regional Council's insurance claims and other potential 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 seriously prejudice the outcome of any proceedings. Provisions are also held in relation to outstanding commitments for enterprise grants and grants to voluntary organisations. Payments in relation to provisions are expected to be made over the next 12 - 24 months.

Note 17: Other short-term liabilities

	31 March 2026	31 March 2025
	£'000	£'000
Public Private Partnership (PPP)	5,222	5,795
Amounts owed to/(from) Common Good	(746)	51
Amounts owed to Trusts and others	875	884
Finance Lease	-	155
Right of Use Lease	3,464	3,501
	8,815	10,386

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:

	2025-2026	2024-2025
	£'000	£'000
Revaluation reserve	120,325	125,967
Capital adjustment account	275,431	272,665
Financial Instrument adjustment account	(8,464)	(9,313)
Financial instruments measured at fair value reserve	841	803
Pension reserve	(21,302)	(21,776)
Employee statutory mitigation account	(7,502)	(6,722)
	359,329	361,624

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:

	2025-2026	2024-2025
	£'000	£'000
Balance on 1 April	125,967	216,729
Upward revaluation of assets	24,083	5,463
Downward valuation of assets and impairment losses not charged to the deficit on the provision of services	(25,771)	(91,090)
Surplus on revaluation of non-current assets not posted to the surplus/(deficit) on the provision of services	(1,688)	(85,627)
Difference between fair value depreciation and historical cost depreciation	(3,954)	(3,735)
Accumulated gains on assets sold or scrapped	-	(1,400)
Amount written off to the Capital Adjustment Account	(3,954)	(5,135)
Balance on 31 March	120,325	125,967

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 6 on page 55 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2025-2026 £'000	2024-2025 £'000
Balance on 1 April	272,665	268,899
<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	(50,221)	(40,472)
Amortisation of intangible assets	(3,716)	(3,565)
Amounts of non-current assets written off on disposal or sale as part of the (loss) on disposal to the CIES	(497)	(4,391)
Adjusting amounts written out of the revaluation reserve	3,954	5,135
Net written out amount of the cost of non-current assets consumed in the year	(50,480)	(43,293)
<i>Capital financing applied in the year:</i>		
Capital grants and contributions credited to the CIES that have been applied to capital financing	27,184	22,926
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	2,419	1,644
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	16,595	15,900
Capital expenditure charged against the general fund and HRA balances	7,049	6,589
Balance on 31 March	275,432	272,665

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.

	2025-2026 £'000	2024-2025 £'000
Balance at 1 April	(9,313)	(9,731)
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	407	407
Fair value effective interest rate adjustment in line with statutory requirements	442	11
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	849	418
Balance at 31 March	(8,464)	(9,313)

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.

	2025-2026 £'000	2024-2025 £'000
Balance at 1 April	803	779
(Downward)/upward revaluation of investments	38	24
Balance at 31 March	841	803

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 £478.781m 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 liability of £21.302m shown in the table below.

	2025-2026 £'000	2024-2025 £'000
Balance at 1 April	(21,776)	(25,037)
Re-measurement of the net defined benefit asset	509,847	459,036
Asset ceiling adjustment	(500,083)	(442,443)
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	(19,561)	(24,543)
Employer's pension contributions and direct payments	10,271	11,211
Balance at 31 March	(21,302)	(21,776)

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 on 31 March.

	2025-2026 £'000	2024-2025 £'000
Balance at 1 April	(6,722)	(6,468)
Settlement or cancellation of accrual made at the end of the preceding year	6,722	6,468
Amounts accrued at the end of the current year	(7,502)	(6,722)
Balance at 31 March	(7,502)	(6,722)

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 2025-2026 the Council collected £27.263m (£24.741m 2024-2025) and paid over £26.805m (£24.289m 2024-2025) and received £0.458m (£0.452m 2024-2025) for providing this service.

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2025-2026 the Council billed £44.351m (£50.578m 2024-2025) on their behalf and received £50.231m (£46.448m 2024-2025) in income from the Non-Domestic Rates Pool.

Note 20: External audit cost

The Council has incurred costs of £0.368m in 2025-2026 in respect of fees payable regarding external audit services carried out under the Code of Practice (£0.352m 2024-2025).

Note 21: Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025-2026:

	31 March 2026	31 March 2025
	£'000	£'000
Credited to taxation and non-specific grant income		
General revenue grant	252,447	238,324
Receipted capital income	27,625	23,307
Non-domestic rates income	50,231	46,448
Council tax income	73,903	67,939
Total	404,206	376,018

	31 March 2026	31 March 2025
	£'000	£'000
Credited to services		
Covid-19	24	288
Department of Work and Pensions	17,370	22,185
Education	14,859	15,610
Education Maintenance Allowance	202	264
Electric Vehicles	-	23
Health Authorities	444	334
Leader/Local Development Strategy	1,322	1,095
Modern Apprentices	93	103
Other Grants and Contributions	7,929	9,438
Police	30	30
Private Sector Housing Grants	642	586
Roads	-	221
Social Work	22,797	21,295
Zero Waste	-	18
Total	65,712	71,490

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 22 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 2025-2026 are shown in the Remuneration Report. During 2025-2026, works and services to the value of £3.530m were commissioned from Ayr Ark and the Energy Agency. Martin Kilbride, Councillor has declared an interest as Director of Ayrshire Energy Agency. Hugh Hunter, Councillor has declared an interest as Chair of the Management Committee and Chair of Board of Trustees of Ayr Ark. Wullie Hogg, Elected Member has declared an interest as sole trader of WSH Fencing. Contracts were entered into in full compliance with the Council's standing orders. There were no material balances outstanding as of 31 March 2026.

During 2025-2026, The Ayr Ark were awarded £16,000 from the Whole Family Wellbeing Fund, to provide mentoring services in school to P7 children with neurodiverse conditions and to provide a weekly service at Ayr Ark for young people, aged 11-18, with autism. The amount received was £9,338 as the programme ran

from April 2025 until October 2025 when the Ayr Ark stopped operating. Invoices of £1,334 had been raised monthly and stopped once the Ark closed. (£16k in 2024-2025).

The Ayr Ark also received £970 in July 2025 from the South Ayrshire Participatory Budgeting Fund for a sports project. This award was refunded, in full, in January 2026 as the project did not take place due to the closure.

Details of these transactions during 2025-2026 are available by emailing CFTenquires@south-ayrshire.gov.uk.

Officers of the Council - During 2025-2026 the Depute Chief Executive Director of Housing Operations and Development declared an interest in Freeport Scotland Ltd as a Director. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. The Council has a 37% share in the company. The Council did not receive any lease income during 2025-2026 and there was no management fee received during 2025-2026.

In addition, the Depute Chief Executive Director of Housing Operations and Development and B Shareholders (Public Sector Shareholders) were appointed as Public Sector Directors of Hub Southwest 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 in respect of this appointment. In addition, The Depute Chief Executive Director of Housing Operations and Development was appointed in 2025-26 as Director of HUB SW AYR DBFM Co Ltd, HUB SW AYR Hold Co Ltd, HUB SW QMA DBFM Co Ltd and HUB SW QMA Hold Co Ltd. The Council does not receive any payment in respect of this appointment. During 2025-2026 works and services to the value of £10.149m was commissioned from all of these and for the HUB Southwest Scotland Ltd (2024-2025 £27.734m). No material balances were outstanding on this contract as of 31 March 2026.

Total remuneration paid to senior officers is shown in the Remuneration Report Section 4 at page 36. 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 2025-2026, the following South Ayrshire Council financial transactions were made with South Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2025-2026 £'000	2024-2025 £'000
Contribution made to South Ayrshire Integration Joint Board	113,926	109,346
Commissioning income received from South Ayrshire Integration Joint Board	131,930	128,309

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 £20.200m during 2025-2026 (£19.158m in 2024-2025).

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 of 31 March 2026.

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 2026 was £0.001m (2024-2025: £0.001m). No material balances were outstanding as of 31 March 2026 or 31 March 2025. The LLP is in its final stages of being wound up and this will be completed in 2026-2027.

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 2026	31 March 2025
	£'000	£'000
Opening capital financing requirement	623,442	534,412
Capital investment		
Property, plant, and equipment	67,548	85,418
Intangible assets	1,982	4,037
Right of Use Asset/PPP remeasurement recognised in year	(6,680)	46,974
	<u>62,850</u>	<u>136,429</u>
Sources of finance		
Capital Receipts	(99)	(408)
Government grant and other contributions	(29,238)	(21,949)
Capital funded from current revenue	(7,049)	(9,143)
Repayment of PPP/finance lease	(4,811)	(4,667)
Repayment of Right of Use lease	(3,716)	(4,418)
Loans fund principal repayments	(9,769)	(8,840)
Application of PPP in year flexibility	1,994	2,026
Closing capital financing requirement	<u>633,604</u>	<u>623,442</u>
Explanation of movements during the year		
Increase in the underlying need to borrow	22,535	50,449
(Decrease) in finance lease obligations	-	(150)
(Decrease) in PPP finance lease obligation	(15,355)	27,941
Increase in Right of Use lease obligation	2,982	10,789
Increase in capital financing requirement	<u>10,162</u>	<u>89,029</u>

Note 24: Leases

Authority as lessee - Operating leases

Leases that do not meet the definition of a finance lease are accounted for as operating leases.

Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight-line basis over the life of the lease.

The Council adopted IFRS16 from 1 April 2024. Properties and other vehicles, plant and equipment that fall under the scope of IFRS16 have now been reclassified as right of use assets on the balance sheet. The disclosures below relate to low value (below £10,000 assets) and leases that have less than 12 months to run.

	31 March 2026	31 March 2025
	£'000	£'000
No later than one year	115	29
Later than one year and not later than five years	26	27
	141	56

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 2026	31 March 2025
	£'000	£'000
Minimum lease payments	334	1,386
	334	1,386

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 2026	31 March 2025
	£'000	£'000
No later than one year	929	884
Later than one year and not later than five years	1,715	1,636
Later than five years	11,227	11,416
	13,871	13,936

Authority as lessee – Right of Use Assets

The Council adopted IFRS16 from 1 April 2024, to recognise all right of use assets. IFRS16 will mean that the majority of leases where the Council acts as lessee will come onto the balance sheet and lessor accounting is effectively unchanged. Right of use assets and lease liabilities will have been calculated as if IFRS16 had always applied but recognised in 2024-25 and not by adjusting prior year figures.

The main impact of the new requirements is that, for arrangements previously accounted for as operating leases (i.e. without recognising the leased vehicles, plant, equipment, property and land as an asset and future rents as a liability), a right of use asset and a lease liability are now on the balance sheet as at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2026 are exempt from the new arrangements.

As a lessee, the Council has previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS16, the Council recognises right of use assets and lease liabilities for most leases.

The Council has decided to apply recognition exemptions to short-term leases and has elected not to recognise right of use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Authority as lessee – Finance Leases

The Council has opted to include Finance lease arrangements, shown on balance sheet separately in 2024-25, within Right of Use Asset calculation from 2025-26. This has resulted in a transfer of asset and liability to Right of Use.

	31 March 2026	31 March 2025
	£'000	£'000
Value at 1 April	10,789	8,871
Additions during year	6,698	5,050
Finance Lease Transfer	2,319	0
Adjustments in year	655	0
Principal repaid in year	(4,371)	(3,132)
Value at 31 March	16,090	10,789
Other land and buildings	7,839	5,469
Vehicles, plant and equipment	8,251	5,320
Value at 31 March	16,090	10,789
Analysed by:		
Current	3,464	3,500
Non-Current	12,626	7,289
	16,090	10,789
Lease liabilities		
Within one year	3,464	2,258
Between 2 and 5 years	4,787	4,986
Over 5 years	7,839	3,545
Total liabilities	16,090	10,789

Amount charged to the Council Comprehensive Income and Expenditure amounted to £0.661m interest expense on the lease liabilities in 2025-26.

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 on 31 March 2026 (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	8,441	3,903	8,004	20,348
Payable within two to five years	39,156	15,530	30,003	84,689
Payable within six to ten years	53,638	23,854	38,844	116,336
Payable within eleven to fifteen years	40,395	26,105	27,914	94,414
Payable within sixteen to twenty years	5,197	8,446	1,468	15,111
Total	146,827	77,838	106,233	330,898

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:

	2025-2026	2024-2025
	£'000	£'000
Balance outstanding at start of year	81,733	85,560
(Reductions) during the year	(3,895)	(3,827)
Balance outstanding at year end	77,838	81,733

Application of PPP Service Concession Arrangement Flexibilities

In accordance with Accounting Policy 12 on page 98 and in line with Finance Circular 10/2022, the Council applied the permitted PPP Service Concession Arrangement (SCA) flexibility in financial year 2022-2023 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 were compared against an annuity repayment profile based on the estimated useful asset lives for each of the three SCA arrangements. The most appropriate asset life was 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 was compared to the current charges which were to be made over the contract period. By applying the flexibility, a one-off combined pre-2022-2023 retrospective saving of £21.720m was achieved followed by further savings after reprofiling of payments, as detailed in the table below.

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 to 2024-25	11,294	5,120	(6,174)
Paid in 2025-26	3,896	1,902	(1,994)
Payable within two to five years	15,420	8,743	(6,677)
Payable within six to ten years	22,527	14,002	(8,525)
Payable within eleven to fifteen years	28,405	18,417	(9,988)
Payable within sixteen to twenty years	11,484	24,226	12,742
Payable within twenty-one to twenty-five years	-	21,931	21,931
Payable within twenty-six to forty years	-	20,405	20,405
Total	127,368	127,368	-

In addition to the one-off retrospective element, further in-year savings occur each year in scheduled debt repayments with £1.994m applied in 2025-2026 (2022-2023 to 2024-25 £6.174m cumulative). This will be followed by a reduction in the annual charges for further 15 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.

Application of International Financial Reporting Standard 16 (IFRS 16) – impact on SCA's

IFRS16 replaces IAS17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. After various deferrals, the Code mandated adoption of IFRS 16 for local authorities in 2024-25.

In accordance with Accounting Policy 12 on page 99, with effect from 1 April 2024, IFRS 16 relating to Leases also applies to service concession arrangements i.e. Public-Private Partnerships (PPP) and similar schemes. Under IFRS16, where indexation (or other changes in a rate) affects future service concession payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

The effect of this on 2025-26 has been to reduce the balance sheet asset for the three Council PPP schemes by a combined total of £10.121m, with an equal reduction in finance lease liabilities as at 31 March 2026. Thereafter, given that PPP assets are treated in the same way as other Property, Plant and Equipment (PPE) assets and are held at a current value basis and are subject to regular valuation, the increase to the asset balance referred to above on transition is an increase to the historic cost of the asset, which has resulted in a value for the asset that exceeds the current valuation. It has been necessary to write the asset back down to its confirmed most recent valuation amount by making a revaluation adjustment. This adjustment has been matched by a movement in the revaluation gains previously accumulated in the revaluation reserve for the assets.

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 2025-2026, incurring liabilities of £0.318m (£0.085m 2024-2025). The total is payable to 4 (2024-2025: 3) 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 36.

Number	Directorate
3	Health & Social Care Partnership
1	Communities and Transformation
<u>4</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:

[2025 Annual Report - Strathclyde Pension Fund \(spfo.org.uk\)](https://www.spfo.org.uk)

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 Board.

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 2025-2026 and the prior year 2024-2025.

	2025-2026 £'000	2024-2025 £'000
Comprehensive Income and Expenditure Statement (CIES)		
Cost of Services:		
<i>Service cost comprising:</i>		
Current service cost	17,859	22,960
Past service cost (including curtailments)	232	91
<i>Financing and investment income and expenditure:</i>		
Net interest expense/ (income)	1,470	1,492
Total post-employment benefit charged to the deficit on the provision of services	19,561	24,543
Other post-employment benefits charged to the CIES:		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
Return on the plan assets	(30,706)	19,376
Actuarial (gains) arising on changes in demographic assumptions	4,434	(1,321)
Actuarial (gains) and losses arising on changes in financial assumptions	(21,517)	(122,334)
Other	(462,058)	(354,757)
Total post-employment benefit charged to the CIES	(490,286)	(434,493)
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	9,290	13,332
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contribution payable to the scheme	10,271	11,211

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:

	2025-2026 £'000	2024-2025 £'000
Present value of the defined benefit obligation: funded	(693,920)	(669,690)
Present value of the defined benefit obligation: unfunded	(21,302)	(21,776)
Fair value of pension fund assets	1,194,003	1,112,133
Surplus	478,781	420,667
Asset Ceiling Adjustment	(500,083)	(442,443)
Net liability arising from defined benefit obligations	(21,302)	(21,776)

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

	2025-2026	2024-2025
	£'000	£'000
Opening balance on 1 April	691,466	786,099
Current service cost	17,859	22,960
Past service cost	232	91
Interest cost	39,958	37,695
Contributions by scheme participants	7,272	6,934
<i>Re-measurement gains and (losses):</i>		
Actuarial (gains) arising on changes in demographic assumptions	4,434	(1,321)
Actuarial (gains) and losses arising from changes in financial assumptions	(21,517)	(122,334)
Other losses/ (gains)	6,029	(8,213)
Benefits paid	(28,505)	(28,402)
Unfunded benefits paid	(2,006)	(2,043)
Closing balance at 31 March	715,222	691,466

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

	2025-2026	2024-2025
	£'000	£'000
Opening fair value of the scheme assets	1,112,134	1,091,734
Interest income	64,132	52,075
<i>Re-measurement gains and (losses):</i>		
Return on the plan assets	30,706	(19,375)
Contributions from employers	8,265	9,168
Contributions from employees in the scheme	7,272	6,934
Other losses/(gains)	-	-
Benefits paid	(28,505)	(28,402)
Closing fair value of the scheme assets	1,194,004	1,112,134

Analysis of pension fund assets

The asset values below are at bid value as required under IAS19 Employee Benefits. The figures presented below are to nearest £1,000 there will be rounding differences in the totals.

As at March 2026

Asset category	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	2025-2026 Total
	£'000	£'000	£'000
Cash and cash equivalents			
Equity instruments:			
Consumer	49,259	218	49,477
Manufacturing	59,924	156	60,080
Energy and Utilities	10,913	-	10,913
Financial Institutions	31,686	490	32,176
Health and Care	27,621	-	27,621
Information Technology	71,678	-	71,678
Sub-total equity	251,081	864	251,945
Debt securities (corporate bonds incl. non-investment grade)	-	-	-
Private equity	-	286,346	286,346

Real estate (UK property)	-	82,767	82,767
Investment funds and unit trusts:			
Equities	-	310,017	310,017
Bonds	-	215,489	215,489
Commodities	-	938	938
Infrastructure	-	6,980	6,980
Other	-	1,016	1,016
Sub-total investment funds and unit trusts	-	534,440	534,440
Derivatives			
Foreign Exchange	-	-	-
Sub-total	-	-	-
Cash and cash equivalents (all)	-	38,505	38,505
Totals	251,081	942,922	1,194,003

At 31 March 2025

Asset category	Quoted Prices in Active Markets £'000	Quoted Prices not in Active Markets £'000	2024-2025 Total £'000
Cash and cash equivalents			
Equity instruments:			
Consumer	54,796	118	54,914
Manufacturing	51,816	72	51,888
Energy and Utilities	8,645	-	8,645
Financial Institutions	24,908	487	25,395
Health and Care	26,441	13	26,454
Information Technology	63,783	30	63,813
Sub-total equity	230,391	719	231,110
Debt securities (corporate bonds incl. non-investment grade)	-	-	-
Private equity	-	257,071	257,071
Real estate (UK property)	-	83,908	83,908
Investment funds and unit trusts:			
Equities	4,072	267,375	271,447
Bonds	-	234,596	234,596
Commodities	-	545	545
Infrastructure	-	3,924	3,924
Other	-	2,473	2,473
Sub-total investment funds and unit trusts	4,072	508,913	512,985
Derivatives			
Foreign Exchange	-	(1)	(1)
Sub-total	-	(1)	(1)
Cash and cash equivalents (all)	-	27,060	27,060
Totals	234,463	877,670	1,112,133

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 on 31 March 2026. The significant assumptions used by the actuary have been:

Mortality assumptions:	2025-2026	2024-2025
Longevity at 65 for current pensioners		
Male	20.4	20.0
Female	23.1	22.9
Longevity at 65 for future pensioners		
Male	21.2	20.8
Female	24.8	24.7
Financial assumptions:		
Rate of inflation/pension increase rate	3.00%	2.80%
Rate of increase in salaries	3.70%	3.50%
Rate for discounting scheme liabilities	6.20%	5.80%

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 on 31 March 2026	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.1% decrease in real discount rate	2%	11,344
0.1% increase in the salary increase rate	0%	723
0.1% increase in the pension increase rate	1%	10,607

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 45% (2024-2025 45%), equities 21% (2024-2025 21%) and private equity 24% (2024-2025 23%). The scheme also invests in properties 7% (2024-2025 8%) and in cash 3% (2024-2025 2%). 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 6.5% for 2025-2026 based on the last triennial valuation completed on 31 March 2023.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2026 is £8.017m. The weighted average duration of the defined benefit obligation for Fund members is 17 years (This is different from the mortality assumptions quoted in the table above in "*Basis for estimating assets and liabilities*").

Note 28: Pension schemes accounted for as defined contribution schemes

The Council participates in the Scottish Teachers Superannuation Scheme, administered by the Scottish Public Pension Agency (SPPA). 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 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 2024 is 26.0% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.
- iv) The latest valuation was based on scheme data as at 31st March 2020 and this set the employer contribution rate for the period 1st April 2024 to 31st March 2027 so current employer contributions rates will stay in force until 1st April 2027.
- v) Contributions collected in the year to 31 March 2026 will be published in October 2026.

The Council paid £16.5m (£15.8m 2024-2025) for employer's contributions. As a proportion of the total contributions into the scheme during the year ended 31 March 2025 £897.6m, the Council's own contributions paid equate to approximately 1.84%.

Note 29: Contingent assets and liabilities

On 31 March 2026 the Council had no material contingent assets. Having received notice of several potential insurance and other claims, the Council recognises 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 an existing 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 this legislation.

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 6 March 2025 and is available on the Authority website. The key issues within the strategy were:

- The Authorised Limit for 2025-26 was set at £745m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was expected to be £690m. 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 in the treasury management strategy, section 5.2, page 17 - 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 Maturity

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

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 MUFG Corporate Markets (formally 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 2025-26 was approved by Council on 6 March 2025 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 £9.236m 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 on 31 March 2026 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 £49.412m (2024-25 £40.690m) against which a provision of £10.383m (2024-25 £10.739m) 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 £16.848m of the £49.412m gross debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	2025-2026	2024-2025
	£'000	£'000
Less than three months	1,544	1,767
Three to six months	627	337
Six months to one year	2,975	7,462
More than one year	11,702	11,267
Total	16,848	20,833

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 (PWLB) 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 no more than 27% 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 6.3% below the indicator, due to the strategy in 2025-2026 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	Actual	Actual
	%	Maturing in period	2025-2026	2024-2025
		%	£'000	£'000
Less than one year	27	20.7	97,896	103,396
Between one and two years	25	8.7	41,296	12,396
Between two and five years	50	16.7	78,685	46,088
Between five and ten years	75	10.7	50,489	56,966
More than ten years	90	43.2	203,973	214,089
Principal element of borrowing		100	472,339	432,935

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, on 31 March 2026, 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	Actual
	2025-2026	2024-2025
	£000	£000
Increase in interest payable on variable rate borrowings	949	959
Increase in interest receivable on variable rate investments	(152)	(149)
	797	810

Other presentational changes	Actual	Actual
	2025-2026	2024-2025
	£000	£000
Decrease in "fair value" of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	20,481	22,172

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 £0.881m 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 2025-2026 financial year and its financial position at the year end of 31 March 2026. 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 2025-26* 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 in 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

Right of Use Assets

The Council has adopted IFRS16 (Leases) with effect from 1 April 2024. The adoption of the new standard resulted in the balance sheet recognition of a right-of-use asset and related lease liability in relation to all former operating leases. The Council has elected to apply recognition exemptions to low value assets (below £10,000 when new) and to short term leases i.e. existing leases that expire on or before 31 March 2026, and any new leases with a duration of less than 12 months. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For leases that were classified as finance leases under IAS17, the carrying amount of the right-of-use asset and the lease liability at 1 April 2024 are determined at the carrying amount of the lease asset and lease liability under IAS17 immediately before that date.

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 has included Finance Lease Assets, previously shown separately, to now be included within the Right-of-use calculation with effect from 1 April 2025 adopting the IFRS16 (leases) standard.

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.

Finance lease arrangements are now held under Right of Use assets in the Balance Sheet.

Operating leases

Leases that do not meet the definition of right-of-use 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 adopted IFRS16 from 1 April 2024. Properties and other vehicles, plant and equipment that fall under the scope of IFRS16 have now been reclassified as a right of use assets on the balance sheet. Only low value assets (below £10k) and leases that have less than 12 months to run will be disclosed as an operating lease expense in year.

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 was no prior period adjustments relating to the financial year 2025-2026.

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 £10,000 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 and community asset: depreciated historical cost.
- Assets under construction held at historical cost with no depreciation applied until they are brought into use.
- 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.

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where an asset has not been revalued in year as part of the rolling five-year programme, an annual indexation is applied to those assets during the intervening years until a formal revaluation takes place as part of the rolling programme.

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 or insufficient balance, 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 Housing, Operations and Development 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 revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the Other Operating Expenditure line in the 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 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 Council's 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 uses 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 of 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 increased the Capital Financing Requirement (CFR) as of 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 was made as of 1 April in the year the revised repayments were applied. This option was exercised in 2022-23 and was applied retrospectively. Being a cumulative statutory adjustment there was no prior year restatement of statutory adjustments in the Annual Accounts. The statutory adjustment up to 31 March 2022 resulted 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 are being 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 than the current repayment profile until the end of the UEL.

International Financial Reporting Standard 16 - Leases

Under International Financial Reporting Standard 16 (FRS16), where indexation (or other changes in a rate) affects future Service Concession Arrangement (SCA) payments, the lease liability requires to be remeasured. Instead of expensing the increased payment, the net present value of future payments that comprise the liability is recalculated based on the revised level of payments.

IFRS16 replaces International Accounting Standard 17 (IAS17) from 1 April 2024 and sets out the principles for the recognition, presentation and disclosures requirements. The implicit interest rate contained within the agreements remains the same under IFRS16 as it did under IAS17.

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 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 requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January 2026 for financial year 2025-2026:

- **Amendments to FRS 102:** The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets). Applicable for periods beginning on or after 1 January 2026.
- **Amendments to IFRS 9 and IFRS 7:** Amendments to the Classification and Measurement of Financial Instruments. Applicable for periods beginning on or after 1 January 2026.
- **Annual improvements to IFRS accounting standards – Volume 11:** Applicable for periods beginning on or after 1 January 2026.
- **Amendments to IFRS 9 and IFRS 7:** Contracts Referencing Nature-dependent Electricity. Applicable for periods beginning on or after 1 January 2026.
- **Amendments to IAS 21:** The effects of changes in Foreign Exchange Rate (Lack of Exchangeability). Applicable for periods beginning on or after 1 January 2026.
- **Amendments to IFRS 17:** Changes to recognition, measurement, presentation and disclosure of insurance contracts. Applicable for periods beginning on or after 1 January 2026.

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.

Note 33: Critical judgements in applying accounting policies

In applying the Significant Accounting Policies set out in Section 7 Note 31 to these accounts on pages 89 to 102, 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 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, 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. 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).

<p>Note 34: Assumptions made about the future and other major sources of estimation uncertainty</p>

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 on 31 March 2026, 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 £11.344m 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 2025-2026 assets that were revalued now hold a value of £816.252m on the Balance Sheet. The impact of a 1% change in these valuations would change the value of those assets by £8.163m. 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 £4.117m 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 £10.316m in unitary charge payments over the remaining term of the arrangements.

Collection levels of arrears

Uncertainties: On 31 March 2026, the Council had a balance of trade receivables, excluding Council Tax and Non-domestic rates, of £29.058m. A review of significant balances suggested that an allowance for potential impairment losses of £10.383m 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 £1.038m 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 2026

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.

2024-25 £'000	Expenditure	2025-26 £'000	2025-26 £'000
12,292	Repairs and maintenance	13,313	
8,699	Supervision and management	8,976	
12,479	Depreciation and impairment of property, plant, and equipment	14,177	
870	Other expenditure	904	
170	Increase in bad debt provision	185	
34,510	Total expenditure		37,555
	Income		
(35,209)	Dwelling rents	(37,573)	
(376)	Non-dwelling rents	(361)	
(610)	Other income	(611)	
(36,195)	Total income		(38,545)
(1,685)	Net expenditure from HRA service		(990)
146	HRA share of Corporate and Democratic Core		150
(1,539)	Net expenditure for HRA services (as recorded in the Council's Comprehensive Income and Expenditure Statement)		(840)
	Other Operating Expenditure		
176	(Gain) or loss on sale of HRA non-current assets		-
4,725	Interest payable and similar charges		5,969
(245)	Interest and investment income		(479)
43	Net interest on the net defined benefit liability		49
(8,581)	Non-specific grant income		(2,642)
(5,421)	Deficit/(surplus) for the year on HRA services		2,057

II) Movement on the HRA Statement for the year ended 31 March 2026

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.

2024-2025 £'000		2025-2026 £'000
(2,520)	Balance on the HRA at the end of the previous year	(4,464)
(5,421)	Deficit/(surplus) for the year on the HRA Income and Expenditure Statement	2,057
3,477	Adjustments between accounting basis and funding basis under statute	(3,689)
(1,944)	Net decrease/(increase) in HRA balance	(1,632)
(4,464)	Balance on the HRA at the end of the current year	(6,096)

Note 1: Provisions

A provision of £0.906m (2024-2025: £1.026m) is included in the Balance Sheet for doubtful debts in respect of mainstream housing rents. During 2025-2026, a total of £0.305m (2024-2025: £0.266m) was written off in respect of housing rent arrears.

Note 2: Accommodation

On 31 March 2026, the Council held various types of accommodation and had the following number and types of houses:

	2025-2026	2024-2025
Type of accommodation		
One and two apartment	2,435	2,422
Three apartment	3,689	3,660
Four apartment	2,050	2,045
Five or more apartment	186	186
	8,360	8,313
	2025-2026	2024-2025
Area of accommodation		
Ayr	4,978	4,943
Troon	959	963
Prestwick	783	771
Maybole	702	701
Girvan	938	935
	8,360	8,313

Note 3: Rent arrears & void property lost rent

On 31 March 2026, rent arrears amounted to £1.101m (2024-2025 restated: £1.239m), being 2.94% (2024-2025 restated: 3.54%) of gross rent collectable. The rental income lost due to void properties amounted to £0.719m in 2025-26 (2024-2025: £0.770m).

Note 4: HRA surplus/(deficit)

Per the movement on the HRA statement for the year ended 31 March 2026, the surplus for the year was £1.632m, when combined with the accumulated surplus brought forward from 2024-2025 of £4.464m, resulted in a final 2025-26 accumulated surplus of £6.096m on 31 March 2026. £3.063m is required to fund specific capital and revenue projects in future years leaving an uncommitted balance of £3.033m 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

2024-2025 £'000		2025-2026 £'000
88,786	Gross council tax levied and contributions in lieu	96,413
	Deduct:	
(9,077)	Council tax benefits/reduction (net of government grants)	(9,844)
(9,530)	Other discounts and reductions	(10,341)
(2,123)	Write-off of uncollectable debts and allowances for impairment	(2,304)
68,056	In year council tax income	73,924
(117)	Adjustment to prior years' council tax	(21)
67,939	Transfer to General Fund	73,903

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 of 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, 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	2025-26 Charge per band £
A	1,046.27
B	1,220.66
C	1,395.04
D	1,569.41
E	2,062.03
F	2,550.29
G	3,073.43
H	3,845.05

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/charges for second homes in accordance with The Council Tax (Variation for Unoccupied Dwellings) (Scotland) Amendment Regulations 2023. From 1 April 2024 owners of second homes will pay 200% council tax for their second property. An element of the additional income collected from the reduction of discounts or application of the additional levy for empty properties or second homes will be transferred for the provision of affordable social housing in areas determined by the Council.

Additional income of £2.125m is included within the general fund and earmarked for use in relation to the Affordable Homes Strategy. A further £0.502m is included within the general fund arising from the Second Homes variation implemented on 1 April 2024.

Note 2: Calculation of the Council tax charge base 2025-2026

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
Total number of properties	7,109	12,901	9,132	8,955	9,835	5,460	3,489	306	57,187
Less exemptions/deductions	425	476	337	227	210	118	43	8	1,844
Less adjustment for single discount	931	1,457	980	797	746	309	169	6	5,395
Less adjustment for double discount	102	175	116	109	91	47	30	6	676
Reduction in tax base due to Council Tax Reduction	2,276	2,712	1,415	620	368	110	29	1	7,531
Effective number of properties	3,375	8,081	6,284	7,202	8,420	4,876	3,218	285	41,741
Band D equivalent factor (D)	240	280	320	360	473	585	705	882	
Band D equivalent number of properties	2,250	6,285	5,584	7,203	11,062	7,924	6,299	701	47,308
Class 17 & 24 dwellings				3					3
Total	2,250	6,285	5,584	7,206	11,062	7,924	6,299	701	47,311
Less provision for non-collection 3.00 per cent (adjusted for impact of Council Tax Reduction)									1,419
Council tax base 2025-2026 (equivalent to a Band D Council Tax of £1,569.41)									45,892

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.

2024-2025		2025-2026	
£'000		£'000	
65,530	Gross rates levied and contributions in lieu	64,247	
<i>Deduct:</i>			
(12,175)	Reliefs and other deductions	(12,455)	
(1,056)	Write-off of uncollectable debts and allowance for impairment	(1,031)	
52,299	Net non-domestic rate income	50,761	
(1,720)	Adjustment to previous years' national non-domestic rates	(6,410)	
50,579	Total non-domestic rate income	44,351	
National non-domestic rate pool:			
46,448	Non-domestic rate income retained by the authority	50,231	
(50,579)	Contribution (to)/from national non-domestic rate pool	(44,351)	
(4,131)		5,880	

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 2025-2026

Commercial subjects	Number	Rateable Value
		£'000
Shops	1,519	31,148
Public houses	109	3,080
Offices (Including banks)	834	10,806
Hotels, boarding houses, etc.	65	5,278
Industrial and freight transport subjects	1,020	26,611
Leisure, entertainment, caravans, and holiday sites	711	10,139
Garages and petrol stations	92	1,655
Cultural	24	697
Sporting subjects	567	1,198
Education and training	96	12,054
Public service subjects	108	4,612
Communications (non-formula)	17	1,662
Quarries, mines etc.	7	443
Petrochemical	3	69
Religious	89	1,120
Health medical	24	3,683
Other	216	1,406
Care facilities	55	3,723
Advertising	28	77
Undertaking	25	3,391
Total all subjects	5,609	122,852

Rate levied 2025-26: Rateable value greater than £100,001 – 56.80p, between £51,001 and £100,000 – 55.40p, 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 111 to 113. The subsidiary, associate and joint venture entities share a common accounting period ending 31 March 2026.

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 in the near future. 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 13.

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 £447.649m compared with £398.255m for the Council (2024-25: Group £446.913m compared with Council £398.792m). 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 44 to 48.

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 49 to 88. 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 89 to 102.

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 44 to 48, 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 2025-2026, South Ayrshire Council contributed £1.865m or 4.95% (2024-2025: £1.794m) of the Board's estimated running costs. Its share of the year-end net asset of £28.825m (2024-2025: £26.760m) 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 2025-2026, South Ayrshire Council contributed £0.261m or 6.39% (2024-2025: £0.261m) of the Board's estimated running costs. Its share of the year-end net asset of £0.293m (2024-2025: £0.238m) 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 2025-2026, South Ayrshire Council contributed £0.955m or 33.33% (2024-25: £0.859m) of the Board's estimated running costs. Its share of the year-end net asset of £0.369m (2024-2025: £0.355m) 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 organisations running costs were met by South Ayrshire Council by way of an annual revenue contribution. South Ayrshire Council contributed £0.001m for running costs during 2025-26 (2024-25: £0.001m).

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 several 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 2025-2026 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, Associates and Joint Venture entities.

Share of Subsidiary, Associate and Joint Venture - Assets and Liabilities 2025-2026

	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	14,422	30,768	311	403	693	5,607
Share of liabilities	(795)	(1,943)	(18)	(34)	(108)	-
Share of revenues	(604)	(3,698)	(267)	(998)	(1)	(163,468)
Share of (surplus)/deficit	(21)	(1,597)	(54)	99	-	(76)

Share of Subsidiary, Associate and Joint Venture - Assets and Liabilities 2024-2025

	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	14,647	27,669	318	434	692	5,531
Share of liabilities	(56)	(909)	(80)	(79)	(107)	-
Share of revenues	(1,196)	(3,500)	(261)	(944)	(1)	(154,127)
Share of (surplus)/deficit	116	(1,588)	93	80	-	3,203

Note 4: Contingent liabilities

On 31 March 2026 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) Common Good Income and Expenditure Account for the year ended 31 March 2026

2024-2025 £'000		Ayr £'000	Prestwick £'000	Troon £'000	Maybole £'000	Girvan £'000	2025-2026 £'000
	Expenditure						
682	Property costs	422	38	-	-	45	505
75	Other expenditure	78	-	-	-	-	78
757		500	38	-	-	45	583
	Income						
606	Rents and other income	506	30	-	-	45	581
35	Interest on investments	1	20	2	-	-	23
641		507	50	2	-	45	604
	14420						
(116)	(Deficit)/surplus for year	7	12	2	-	-	21
553	Surplus brought forward	136	251	39	2	9	437
437	Accumulated surplus	143	263	41	2	9	458

II) Common Good Balance Sheet as of 31 March 2026

31 March 2025 £'000		31 March 2026 £'000
14,594	Property, plant, and equipment	14,420
14,594	Non-current assets	14,420
2	Inventory	2
51	Loans fund investment	-
53	Current assets	2
(6)	Creditors	(745)
(20)	Provisions	(20)
(30)	Deferred income	(30)
(56)	Current liabilities	(795)
14,591	Net assets	13,627
14,591	Usable and Unusable Reserve	13,627
14,591	Net reserves	13,627

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 2021-22 and 2025-2026, 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

2025-2026 Movements	Ayr	Prestwick	Troon	Girvan	Total
	£'000	£'000	£'000	£'000	£'000
Value as of 1 April 2025	11,881	2,102	158	453	14,594
Revaluations, impairments, and transfers	39	(211)	(39)	37	(174)
Value as of 31 March 2026	11,920	1,891	119	490	14,420

No depreciation is charged on Common Good assets as they comprise land, investment buildings and community assets.

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 2026 was 56, of which 52 are under the control of South Ayrshire Councillors and senior officers (ex-officio) and four are partly controlled by external Trustees. The following tables summarise those Trusts which are controlled solely by South Ayrshire Councillors and senior officers:

2024-2025		Registered charitable trusts	Other trusts	2025-2026
£'000	Revenue accounts	£'000	£'000	£'000
593	Opening balance	341	251	592
49	Income for year	91	23	114
(50)	Expenditure during year	(114)	(8)	(122)
592	Closing balance	318	266	584

Balance Sheet as of 31 March				
Assets				
635	Investments	622	96	718
631	Current assets	322	301	623
1,266	Total assets	944	397	1,341
Reserves				
592	Revenue	318	266	584
430	Available for sale financial instrument reserve	454	59	513
244	Capital reserve	172	72	244
1,266	Total reserves	944	397	1,341

The table below provides information on the original purpose of various Trust Funds or Bequests and the value of investments held at 31 March 2026, 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.	24	15	39
South Ayrshire Council Charitable Trusts (SC025088)	Various educational purposes; prizes/bursaries; social purposes; war memorial maintenance.	44	-	44
David Elder Edward Fund (SC016728)	The provision of a new art gallery and the acquisition of art related to the local area.	250	605	855
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	4	2	6
Total Charitable Trusts		322	622	944

Non-charitable Trusts

Name	Original Purpose	Loans Fund Investment	External Investment	Total
		£'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.	165	96	261
Sundry Mortifications	Maintenance of lairs in perpetuity.	56	-	56
Various	Non-charitable Trusts with closing balances of less than £25,000.	80	-	80
Total Non-charitable Trusts		301	96	397
Total Trusts		623	718	1,341

The table below provides a reconciliation of the movement on investments held by Trust Funds, analysed between those Trusts with charitable status and those without:

Capital and Revenue	31 March 2025		Income		Expenditure		31 March 2026		
	£'000 Capital	£'000 Revenue	£'000 Capital	£'000 Revenue	£'000 Capital	£'000 Revenue	£'000 Capital	£'000 Revenue	£'000 Total
Charitable Trusts									
South Ayrshire Charitable Trust (SC045677)	15	1	-	50	-	(27)	15	24	39
South Ayrshire Council Charitable Trusts (SC025088)	4	37	-	3	-	-	4	40	44
David Elder Edward Fund (SC016728)	512	300	92	38	-	(87)	604	251	855
McKechnie Trust (SC012759)	3	3	-	-	-	-	3	3	6
Total Charitable Trusts	534	341	92	91	-	(114)	626	318	944
Non-charitable Trusts									
John McMaster Bursary Fund	105	158	(9)	15	-	(8)	96	165	261
Sundry Mortifications	20	32	-	4	-	-	20	36	56
Non-charitable trusts with closing balances of less than £25,000	15	61	-	4	-	-	15	65	80
Total Non-charitable Trusts	140	251	(9)	23	-	(8)	131	266	397
Total Trusts	674	592	83	114	-	(122)	757	584	1,341

Other Trust Funds and Bequests

The Council also administers the funds of a further four Trust Funds or Bequests that are controlled in part by external trustees with a combined value at 31 March 2026 of £0.176m (2024-25: £0.167m). These Trust Funds or Bequests are not reported above 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

TO BE INSERTED UPON COMPLETION OF THE AUDIT PROCESS

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.

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 usable 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 /ROU 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.

ROU – Right of Use Asset

The right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

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.

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Making a Difference Every Day