

The background image shows the exterior of Kirkmichael Primary School. The building features a mix of materials: white walls, dark grey roofs, and sections of light-colored horizontal wooden cladding. A stone wall in the foreground has a plaque that reads 'KIRKMICHAEL PRIMARY SCHOOL'. The sky is overcast. A large, stylized pink graphic with curved, overlapping lines is on the left side of the cover.

South Ayrshire Council

31st March
2014

Annual Accounts

south
AYRSHIRE
COUNCIL

South Ayrshire Council Annual Accounts

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Section 1: Foreword by the Head of Finance and ICT

Introduction

This foreword provides an overview of the financial performance of South Ayrshire Council (the Council) for the year ended 31 March 2014. The Statement of Accounting Policies on pages 27 to 39 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Accounts, to ensure that they present a 'true and fair view' of the Council's financial performance. The financial statements for 2013-2014 are set out on pages 22 to 96 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*).

Statement of responsibilities for the statement of accounts

This statement sets out the respective responsibilities of the Council and the Head of Finance and ICT, as the Council's Section 95 Officer, for the financial statements.

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.

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. The report is subject to audit and forms part of the 2013-2014 annual audit by the Council's external auditors, Audit Scotland.

The financial statements

Core Financial Statements:

- *The Movement in Reserves Statement:* shows the movement in the year on the Council's reserves, 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 Other Statutory Reserves shows the General Fund Balance before any discretionary transfers to and from the other statutory reserves of the Council.
- *The Comprehensive Income and Expenditure Statement:* reports the income raised by the Council during the year and how it was spent on services, financing costs and contributions to or from reserves. The surplus or deficit on the Income and Expenditure Account is carried to the Balance Sheet.
- *The Balance Sheet:* provides a summary of the Council's assets, liabilities, reserves and balances at 31 March 2014. It is a statement on the Council's financial position at one particular point in time, a snapshot of its financial affairs at the end of the year expressed in accounting terms.
- *The Cash Flow Statement:* summarises the Council's inflows and outflows of cash resulting from transactions with third parties during the year in respect of both revenue and capital activities.
- *The Notes to the Core Financial Statements:* provide further information on the Council's core financial statements.

Supplementary financial statements:

- **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. The HRA has three elements:
 - *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 Comprehensive Income and Expenditure Account reconciles to the movement on the Housing Revenue Account Reserve.
 - *The HRA Comprehensive Income and Expenditure Account:* 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.
 - *The Notes to the Accounts:* provide further information on the Housing Revenue Account.
- **The Council Tax & Non-Domestic Rate Income Accounts** summarise the income raised through local taxation and non-domestic rates and also provide details of the number of taxable properties within South Ayrshire.
- **The Common Good, Trusts and Other Funds** summarise the financial performance of the Common Good, Trusts and other funds administered by the Council.
- **Group Accounts Financial Statements** - The Council has an interest in five other entities, namely the Common Good Fund, Ayrshire Valuation Joint Board, Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Board and Ayr Renaissance. Under accounting standards, the Council requires to include the results of these organisations in its Group Accounts due to its significant influence over their financial and operating practices. The Council's Group Accounts comprise the following statements:
 - *The Group Movement in Reserves Statement* combines the movement in the year on the Council's reserves, analysed into Usable Reserves and Unusable Reserves with the Council's share of all subsidiary and associates' reserves movements.
 - *The Group Comprehensive Income and Expenditure Account* combines the income and expenditure of the Council for the year with the Council's share of all subsidiary and associates' operating results.
 - *The Group Balance Sheet* combines the Council's assets and liabilities with its appropriate share of the subsidiary and associates' assets and liabilities.
 - *The Group Cash Flow Statement* combines the Council's inflows and outflows of cash resulting from transactions with third parties with its appropriate share of the subsidiary and associates' cash inflows and outflows.
 - *The Notes to the Group Accounts* provide further information on the Council's Group financial statements.

Financial Review

• General Fund Revenue

The financial performance of the Council's General Fund and Housing Revenue Account for 2013-2014 is contained within the Movement In Reserves Statement on page 22. The Statement shows how the surplus/(deficit) for the year, when adjusted for contributions to and from funds and reserves held by the Council and other statutory and non-statutory adjustments, results in a deficit for the year of £1.532m. After application of the planned 2013-2014 surplus contribution of £1.307m and a planned utilisation of £7.867m from reserves for brought forward expenditure commitments from prior years, this results in an in year surplus of £7.642m.

A summary of the general fund out-turn position against the agreed budget is shown in the following table. Directorate budgets include the utilisation of £7.867m of balances brought forward for use in 2013-2014.

	Budget £'000	Actual £'000	Variance £'000
Chief Executive's Strategic Office	441	386	55
Care, Learning & Wellbeing	177,253	176,621	632
Economy, Neighbourhood & Environment	55,217	52,449	2,768
Resources, Governance & Organisation	13,928	10,267	3,661
Directorate expenditure	246,839	239,723	7,116
Miscellaneous – capital financing etc	6,956	6,364	592
Total Net Expenditure	253,795	246,087	7,708
General revenue grant	(159,632)	(159,631)	(1)
Non domestic rate income	(39,642)	(39,642)	-
Council tax/community charge income	(45,347)	(45,282)	(65)
Planned 2013-2014 draw on surplus	(1,307)	(1,307)	-
Planned utilisation of reserve balances brought forward for use in 2013-14	(7,867)	(7,867)	-
Total Funding	(253,795)	(253,729)	(66)
General Fund (surplus)/deficit for the year	-	(7,642)	7,642

The surplus position of £7.642 when added to the surplus of £15.284m brought forward from 2012-2013, following the application of £1.307m of the surplus and utilisation of £7.867m of reserves to fund 2013-2014 expenditure identified in the table above, results in a General Fund Balance of £22.926m at 31 March 2014. The financial out-turn reflects favourably on the financial stewardship arrangements across Council services during 2013-2014. The most significant variances from budget outlined in the table above are in relation to the following:

- The favourable position within Care, Learning & Wellbeing (£0.632m) was due to a combination of factors, the most significant of which was in relation to the time taken to fill vacancies within the directorate, an under spend in the Scheme of Assistance, and under spends in energy costs and SQA payments within Education services. These under spends are partially offset by overspends in Older People care packages and out-with authority placements for children. Part of the under spend in the Scheme of Assistance has been carried forward to be utilised in 2014-2015;
- The favourable position within Economy, Neighbourhood & Environment (£2.768m) was due to under spends across various services within the directorate. The most significant related to under spends within Community, Enterprise and Development Services where a number of projects and partnership working, due to be undertaken in 2013-2014, were re-profiled or delayed until 2014-2015. Under spends occurred within Neighbourhood Services where planned demolition work was delayed and will now be carried out in 2014-2015;
- The favourable variance within Resources, Governance and Organisation (£3.661m) was due to a combination of under spends across directorate services, including employee costs due to time taken to fill vacant posts. The under spend also included expenditure on property repairs, welfare reform and economic development, all of which have been carried forward for continued use in 2014-2015;

- The favourable position with Miscellaneous (£0.592m) is primarily due to savings on debt management charges due to borrowing requirements linked to capital spend being below expectations in prior years.
- A number of those under spends outlined above related to ongoing projects and Council priorities, the delivery of which will be supported by the carry-forward of a proportion of those under spends to 2014-2015. Further detail can be found in the Annual Accounts 2013-2014 report submitted to the South Ayrshire Council meeting of 3 July 2014 at the following address: www.south-ayrshire.gov.uk/committees/agendas

The table below outlines the £22.926m accumulated surplus to be carried forward to 2014-2015 and the various amounts that require to be set aside from the accumulated surplus to be utilised in 2014-2015 or future years.

Accumulated surplus	£'000	£'000
Surplus brought forward from 2012-2013	(24,458)	
Less planned contribution to 2013-2014	1,307	
Less planned utilisation of reserve balances for expenditure commitments brought forward from prior years	<u>7,867</u>	
Accumulated surplus at 1 April 2013		(15,284)
General Fund surplus for the year		<u>(7,642)</u>
Accumulated surplus at 31 March 2014		(22,926)
Earmarking or commitments in 2014-2015 or beyond		
Directorate 2014-2015 expenditure commitments	5,946	
Affordable Homes strategy (council tax income collected in respect of second homes)	1,324	
Efficiency and improvement fund	1,446	
Local election fund	163	
Workforce change fund	<u>3,869</u>	
Total planned commitments		<u>12,748</u>
Uncommitted surplus		<u><u>(10,178)</u></u>

This leaves a balance of £10.178m (4.0% of the Council's total planned expenditure for 2014-2015). CIPFA best practice recommends that councils should maintain reserves of between 2% and 4% of annual running costs, equivalent to between approximately £5.094m and £10.187m for South Ayrshire Council. At 31 March 2013 the uncommitted reserve balance amounted to £10.601m therefore the overall uncommitted balance has reduced by £0.423m during 2013-2014.

In accordance with proper accounting practice, severance costs associated with 2013-2014 revenue budget decisions have been charged to the 2013-2014 Comprehensive Income and Expenditure Account where the decision to release the members of staff was made prior to the date of signing the Balance Sheet.

• Housing Revenue Account

The Housing Revenue Account on page 78 shows a reduction on the Housing Revenue Account balance of £1.145m for the year to 31 March 2014, which compares favourably to a budgeted reduction for the year of £4.656m. The under spend is primarily due to reduced planned and responsive maintenance costs, lower employee costs due to vacancies and reduced debt financing costs.

When deducted from the surplus brought forward from 2012-2013 of £14.590m, this results in an accumulated surplus of £13.445m at 31 March 2014 of which £12.862m is required to fund specific capital and revenue expenditure in future years. This leaves an uncommitted general reserve balance of £0.583m which will be held as a contingency in the event of unexpected or emergency situations.

• Trading Operations

The Local Government in Scotland Act requires Councils to maintain statutory trading accounts for 'significant trading operations'. These trading accounts require to at least break-even over a three-year rolling period.

Following a review of the options for the future delivery of repairs and maintenance services to Council owned buildings, in March 2012 it was decided that there would no longer be a requirement to operate a statutory trading account from 2013-2014 onwards. The 2012-2013 information has been included in Note 26 to the Comprehensive Income and Expenditure Statement for comparative purposes only.

• Council Tax Collections

The Council budgeted to collect £45.342m in council tax (net of Council Tax Reduction Scheme adjustments) during 2013-2014. This equated to 18.4% of the overall funding required to meet net expenditure for the year. An in year collections rate of 94.8% was achieved in 2013-2014 which was 1.30% higher than the targeted 93.5%.

• Capital Expenditure and Income

Following the introduction of the Prudential Framework for local authority capital investment in 2003, the Council is able to determine its own programme for capital investment in fixed assets. Capital expenditure of £30.135m was incurred during the year as shown in Note 31 on page 64, of which £13.161m was spent on Council housing, £12.970m on educational properties, £1.035m on roads and transport improvements, £0.580m on Information and Communication Technology and £2.389m on other Council projects.

Funding of capital expenditure included £1.731m from the sale of assets, £10.057m government grants and other contributions received, £10.312m revenue funding and £1.885m of finance leasing arrangements. Long-term borrowing of £6.150m was undertaken, the repayment of which will be either fully supported by government grant in future years or through Council planned expenditure.

Major capital projects for 2013-2014 included:

	£'000
Marr College – purchase of land & buildings	4,958
Kirkmichael Primary School - new build	1,595
Doonfoot Primary School - construction of 4 new classrooms	577
Forehill Primary School – programme of internal and external refurbishment	875
Barrhill Primary School – modernisation programme	799
Purchase of 6 food waste collection vehicles	584
Continued programme of modernisation of council houses	9,024
New build council houses	3,046

The Council approved a four-year capital programme for 2014 to 2018 in December 2013. The Council is continuing to develop its long-term asset management strategy alongside reviewing its future educational provision. Key issues currently under consideration include modernisation of the schools estate, the need for substantial investment in roads infrastructure and the scope for rationalisation of office accommodation.

• Long-term Borrowing

The majority of the Council's borrowing for capital investment purposes comes from the Public Works Loan Board (PWLb), a Government sponsored body set up with the primary purpose of lending to UK local authorities. The remainder of funding comes from money market borrowing. Further details can be found in Note 13 on pages 51 to 53.

• Prudential Indicators

The Prudential Code for Capital Finance in Local Authorities allows greater flexibility for capital investment decisions that are informed and supported by various performance indicators. The Council's overall performance against these indicators provides a firm basis for the monitoring and control of capital investment and borrowing and determining that it is prudent, affordable and financially sustainable. Certain key indicators are outlined below:

In terms of prudence:

- *The Capital Financing Requirement (CFR)* measures the underlying need to borrow for capital purposes. As at 31 March 2014, the CFR (inclusive of PPP and Finance Lease liabilities) stood at £247.282m, while the *Net external borrowing* stood £53.482m lower at £193.800m (inclusive of PPP and Finance Leases). This is a measure of prudence, demonstrating that borrowing has only been undertaken for capital investment purposes. It is also reflective of the Council's treasury management strategy, where it has been deemed prudent to make use of internal funds and to minimise exposure to investment risk.

In terms of affordability:

- *The Ratio of Financing Costs to Net Revenue Stream* provides an indication of affordability of capital investment. As at 31 March 2014, the combined General Services and Housing Revenue Account ratio of financing cost to net revenue stream was 5.74%. The Council's ability to meet its borrowing costs is integral to investment decisions.
- A fundamental indicator of affordability for councils to consider in setting forward plans is the impact on Council Tax and Housing Rents. Capital and revenue budgets are closely linked with the revenue implications of capital investment plans reflected within the Council's revenue budget forecasts and Housing business plan.

• Fund Balances and Reserves

In addition to the General Fund and the HRA fund balances, the Council operates a further three reserve funds as empowered under Schedule 3 of the Local Government (Scotland) Act 1975. The three funds are as follows:

- *The Repair and Renewal Fund* balance increased from £4.297m at the start of the financial year to £6.312m at 31 March 2014 as a result of £0.035m of interest earned in the year and agreed contributions to the fund of £2.000m, less draws from the fund of £0.020m approved during 2013-2014.
- *The Insurance Fund* had a balance of £0.425m at 1 April 2013. Insurance premiums and payments in respect of uninsured losses totalling £1.322m were incurred during the year, offset by interest earned of £0.004m together with a contribution of £1.318m from the General Fund to ensure the Insurance Fund balance was maintained at the previously approved level of £0.425m. The Council reviewed the adequacy of the balance held during 2013-2014. A further review is planned to be undertaken in three years time during 2016-17.
- *The Capital Fund* was established during 2005-2006. There was a zero balance on the Fund at 1 April 2013 and no contributions were made during the year resulting in the balance in the fund remaining at zero at 31 March 2014.

Movements on the fund balances and reserves during 2013-2014 are summarised in the table below.

	General Fund balance £'000	Repairs and Renewals fund £'000	Insurance Fund £'000	Capital Fund £'000	HRA balance £'000
Opening balance as at 1 April 2013	24,458	4,297	425	-	14,590
Surplus/(deficit) for the year	7,642	-	(1,322)	-	3,511
Appropriations (to)/from revenue/capital	-	2,015	1,322	-	-
Planned use of Surplus	(9,174)	-	-	-	(4,656)
Closing balance as at 31 March 2014	22,926	6,312	425	-	13,445

A comprehensive analysis of the Council's reserves is provided in the Movement In Reserves Statement on page 22.

• Balance sheet

The Balance Sheet on page 25 summarises the Council's assets and liabilities at 31 March 2014. Total assets have reduced from £726.996m at 31 March 2013 to £726.081m at 31 March 2014, a reduction of £0.915m. This is primarily due to an increase in the value of property, plant and equipment, due mainly to revaluations undertaken during the year combined with an increase in short term investments and a reduction in cash and cash equivalents. Total liabilities have increased by £12.577m to £437.966m, of which the most significant increase of £22.123m is due to the pension fund liability movement.

Provisions, Contingencies and Write-offs

The Council has provided £6.196m for eventualities which may have a material effect on the financial position of the authority. The reason for the provisions is outlined in Note 19 on page 55. The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. The process will incur costs related to the release of employees through redundancy and early retirement.

During 2013/14 a review was undertaken in relation to employee related claim provisions. The review resulted in a reduction of the amounts held for equal pay claims but an increase for a newly identified liability in relation to holiday pay entitlement. There is no movement on the overall value of provision required for employee related claims from this re-categorisation.

As outlined within Financial Review (General Fund Revenue), the Council has also earmarked £12.748m within the General Fund Balance for specific purposes.

During 2013-2014 there were a number of write offs of irrecoverable debt due to the Council approved by the relevant panel or the Executive Director – Resources, Governance & Organisation under delegated authority.

Pension fund

International Accounting Standard 19: Employee Benefits (IAS19) requires the disclosure of the Council's 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 2013-14 having taken place on 31 March 2011. The Council's Balance Sheet shows a pension liability of £138.177m at 31 March 2014 compared to a pension liability of £116.054m at 31 March 2013. 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. The deterioration in the IAS19 position is principally due to falling real bond yields which has partially been offset by asset returns being greater than expected.

Public Private Partnership

In December 2006 the Council entered into a Public Private Partnership contract with Education for Ayrshire (e4a) for the construction and operation of two new secondary schools and three new primary schools, together with an annex to an existing secondary school. During 2013-2014, £9.872m was paid to the contractor in 'unitary charge' payments under the terms of the agreement.

Treasury management - Icelandic bank investment

During October 2008 the Icelandic banks, Landsbanki Islands hf, Kaupthing and Glitner collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. UK local authority deposits in these banks totalled approximately £954m. Similar to action taken by UK Treasury, Scottish Government passed emergency legislation to enable Scottish Councils to postpone recognising any potential losses on Icelandic deposits until 31 March 2011. The Council had two investments of £3.000m and £2.000m deposited in Landsbanki, with maturity dates of 13 November and 2 December 2008 respectively.

In the intervening period, since the collapse of Landsbanki, South Ayrshire Council has been party to Icelandic Court proceedings, through COSLA and the Local Government Association who, acting on behalf of all affected local authorities, have worked to obtain the best possible outcome and recovery of deposits held in the affected banks. This culminated in the Icelandic Courts agreeing that Councils be classed as having preferential creditor status and thereby securing the maximum return possible for the Council. By December 2013 four distributions of the deposits outstanding had been received, equating to approximately 53.7% of the amount owed.

In January 2014 South Ayrshire Council sold its claims against the insolvent estate of Landsbanki (LBI). The claims were sold through a competitive auction process along with a number of other UK local authorities. Each creditor who participated in the process achieved exactly the same auction price. The price at which the claims were sold was based on a reserve price set by South Ayrshire Council on the basis of legal and financial advice received. The proceeds of the sale were paid in Pounds Sterling. The sale means that South Ayrshire has recovered 91% of the amounts that were originally deposited with LBI in 2008. South Ayrshire is now no longer a creditor of LBI.

The net impact for 2013-2014 based on the final recovered amount, results in the General fund receiving unbudgeted income of £0.005m in 2013-2014. The HRA also received income in 2013-2014 of £0.002m.

Common Good and Trust funds

The Council administers the Common Good Fund. In addition the Council controls a number of sundry trusts, some of which are registered charities. The 2013-2014 Code prescribes that, where a trust fund is a registered charity, it should follow the financial reporting requirements of the Office of the Scottish Charity Regulator (OSCR). In order to comply with *The Code* and OSCR requirements, the Council has opted to obtain independent verification of the financial statements of the registered charitable trusts by the Council's external auditors, Audit Scotland.

The Common Good Fund comprises five distinct sub-funds representing the former burghs of Ayr, Prestwick, Troon, Maybole and Girvan. Overall the Fund achieved a deficit for the year of £0.001m which, when added to the surplus brought forward from 2012-2013, contributes to an accumulated surplus at 31 March 2014 of £0.900m. Total reserves increased in value by £0.155m to £19.077m, primarily due to the revaluation of fixed assets. Further detail relating to the Common Good Fund is provided on pages 83 to 85.

The reserves of the registered charitable trusts where the Council is the sole trustee sat at £0.547m at 31 March 2014. The reserves of the other trusts administered by the Council (where the Council is sole trustee) increased by £0.004m to £0.552m at 31 March 2014. Further details relating to the trusts are provided on pages 86 to 89.

Group Accounts

The Council has a material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures and therefore is required to prepare Group Accounts.

The Group Accounts on pages 90 to 96 consolidate the results of the Council with its share of the results of two subsidiary and three associates. The inclusion of the subsidiary and associates in the Group Balance Sheet increases both the net assets and reserves by £28.010m, representing the Council's share of the net assets in these entities.

As a result of the recently introduced Police and Fire reforms in Scotland, the creation of a single police force in Scotland, Police Scotland, and a single fire force, Scottish Fire and Rescue, means that as from 1 April 2013, South Ayrshire Council no longer had a material interest in either Police or Fire, in terms of group accounts. 2012-2013 was the last year in which Strathclyde Police and Strathclyde Fire and Rescue appeared in the group accounts section of the annual accounts and therefore they no longer feature in the current year 2013-2014 statements.

The interest the Council has in the remaining entities is still considered material and therefore group accounts still feature in the Annual Accounts of the Council.

Changes in Accounting Policy

The Code has introduced one material change to the accounting policies in relation accounting policy 6: Employee benefits and specifically post employee benefits. The impact of this change in policy requires the 2012-2013 prior year core statements (Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement and Cashflow Statement) and associated notes to be restated. The specific impact of the restatements is outlined in Note 35 to the core statements.

Events after the Balance Sheet date

The annual accounts were signed by the Head of Finance and ICT on 26 June 2014. Where events which took place before this date provided information about conditions which existed at 31 March 2014, the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date have not been reflected in the financial statements and notes.

Financial outlook

The improvement in the national economic outlook continued to gain momentum during 2013 and the economy is predicted to continue with strong growth in 2014. Furthermore with concerns over the wider Eurozone debt crisis also easing in 2013, the overall outlook for the economic climate is a positive one. Despite the recent recovery in the economy the squeeze on public sector funding is expected to continue for some years which may ultimately lead to the Council's government grant figures for the coming years being further reduced by the Scottish Government.

In line with other Councils, South Ayrshire also anticipates significant cost pressures persisting beyond 2013-2014 resulting from local demographics, the service requirements of the local population and the impact of welfare reforms.

The Council will continue to develop its medium to longer term financial planning arrangements, which will ensure that the Council is pro-active in taking a longer term view to support the identification of key financial risks and facilitate the development of financial strategies to mitigate the risks identified. However, considerable challenges will continue in the medium term and the Council continues to work towards addressing these.

The Financial Statements which follow indicate that the Council is well placed to meet the challenges which lie ahead and the Finance Service will continue to provide professional support to every service area of the Council to help them continue to manage resources efficiently and effectively.

Conclusion

The Council's financial position at 31 March 2014 is comparable to the position brought forward at 1 April 2013 and reflects the collective efforts of service managers, directorate management teams and Corporate Finance staff in maintaining sound financial and budget management processes during the year.

I would like to acknowledge my appreciation 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 2014.

Signed: _____



Tim Baulk BA Acc CPFA

Head of Finance and ICT

24 September 2014



Section 2: Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In South Ayrshire Council the designated officer is the Head of Finance and ICT as Section 95 Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Head of Finance and ICT's responsibilities

The Head of Finance and ICT, as S95 Officer, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*).

In preparing this Statement of Accounts, the Head of Finance and ICT has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance and ICT has also:

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

The Statement of Accounts represents a "true and fair view" of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2014.

Section 3: Annual Governance Statement

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, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging its overall responsibility, the Council's members and the corporate management team are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

CIPFA has issued statements on the role of chief financial officers in local government and the role of head of internal audit in public sector organisations. Both officers within South Ayrshire Council fulfil the principles set out in these statements.

The Council has put in place a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives but can provide reasonable if not absolute assurance.

The Council has a formal risk strategy and during 2013-2014 progress on the implementation and use of council-wide risk registers continued. The Strategic Risk Register was scrutinised and approved by the Corporate and Community Planning Standing Scrutiny Panel in its role as the Council's audit committee in October 2013 and March 2014 and endorsed by Leadership Panel in November 2013 and April 2014. Work has been ongoing to align Directorate risk registers and embed risk management processes within the revised structure. Promoting risk management, the prioritisation of risk and the timely implementation of risk mitigations is widely considered to underpin the effective achievement of the Council's and directorates' outcomes.

This statement applies to the 2013-2014 Statement of Accounts for South Ayrshire Council. The statement also covers the other bodies whose activities have been incorporated into the group accounts, as detailed on pages 90 to 96, where reliance has been placed on the individual bodies' Annual Governance Statement or Statement of Internal Financial Control.

Background:

During 2013-2014 policy and decision making within the Council was conducted through a panel structure which includes a Scrutiny and Governance Panel and a Corporate and Community Standing Scrutiny Panel. The Leadership Panel has responsibility for discharging all of the Council's functions except those reserved to the Council and those matters specifically delegated to other scrutiny panels. The Corporate and Community Standing Scrutiny Panel (CCPSSP) acted as the Council's Audit Committee and is fully compliant with Audit Committee principles. In its role as Audit Committee the CCPSSP regularly received Internal Audit reports for consideration and thereafter monitors compliance to required actions through regular updates. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, and to undertake independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

South Ayrshire Council's Delivering Good Governance Framework has been in place since 1 April 2010. It is subject to annual review by the Council's Scrutiny and Governance Management Panel. During 2013-2014 development has continued through work undertaken as part of the Council's Directorate Plans, the Improvement Agenda and in response to audit reports. This work has focused on refining and strengthening the arrangements and their effectiveness. Reflecting this, year-end assessments have been prepared and signed off by each of the lead officers, including the identification and assessment of the Council's current arrangements, taking account of feedback from auditors and the Council's risk registers and identifying planned improvements for 2014-2015, to address any areas of weakness and to continue to improve their effectiveness.

During 2013-14 Audit Scotland undertook a Targeted Best Value Audit to consider the vision and strategic direction, leadership and culture, performance management and challenge and improvement within the Council. A report was published by Audit Scotland in February 2014 which was then considered by the Accounts Commission with their findings also published in February 2014. The findings of these reports were considered by Council in April 2014 and an improvement action plan agreed. Arrangements for formal monitoring and reporting on progress on the improvement action plan during 2014-15 were also agreed in April 2014.






















Governance Framework:

The Delivering Good Governance Framework that the Council adopted is based around the self assessment questions that underpin the 'Good Governance Standard for Public Services'. The main elements of the Framework are set out below:

Principle	Aspects	Lead Officer
1. Direction	Plans; Performance; Review	Head of Policy, Community Planning and Public Affairs
2. Roles	Structures; Delegation; Research	Executive Director - Resources, Governance and Organisation and Head of Policy Community Planning and Public Affairs
3. Values	Values; Behaviours	Executive Director - Resources, Governance and Organisation and Head of Employee and Customer Services
4. Decision Making	Reporting Decisions; Quality of Information; Risk Management	Executive Director - Resources, Governance and Organisation and Head of Corporate Resources
5. Skills	Competencies; Training; Development	Executive Director - Resources, Governance and Organisation and Head of Policy, Community Planning and Public Affairs
6. Accountability	Reporting, Consultation; Communication; Partnership Relationship	Head of Policy, Community Planning and Public Affairs and Head of Employee and Customer Services

Self assessments of 'what do we need', 'what have we in place' and 'what additionally needs to improve' were first prepared in November 2009. They have been refined and enhanced over the subsequent years reflecting the work undertaken by the Council in relation to governance, best value and continuous improvement. The latest assessments reflect the Framework as at 31 March 2014.

Assessment for 2013-2014:

1.1 Plans		1.2 Performance		1.3 Review	
2.1 Structures		2.2 Delegation		2.3 Research	
3.1 Values		3.2 Behaviour		4.1 Reporting of decisions	
4.2 Quality of information		4.3 Risk Management		5.1 Competencies	
5.2 Training		5.3 Development		6.1 Public Performance Reporting	
6.2 Consultation Strategy		6.3 Internal Communications		6.4 Relationships with Partners	
Key:  = Effective  = Some Concerns  = Major Concerns					

To address these concerns and to continue to improve the effectiveness of all aspects, the following improvement actions have been agreed to be addressed:

Improvement Actions for 2014-2015:

1 Direction

- Remit Service and Improvement Plans to Standing Scrutiny Panels for consideration and revision;
- Establish a working group of elected members and senior officers to evaluate Council's performance;
- Update the Performance Management Framework;
- Support further development of the Local Government Benchmarking Framework and its use in South Ayrshire; and
- Complete year one of service review programme as agreed in the 2014-17 Service and Improvement Plans.

2 Roles

- Review management structure;
- Introduce regular and timely performance reporting to Scrutiny Panels;
- Review scrutiny arrangements to address weaknesses in the current arrangements;
- Deliver session on Roles and Responsibilities to all elected members and chief officers; and
- Provide facilitation & support to South Ayrshire 1000 and implement programme of surveys.

3 Values

- Review the values and guiding principles and examine how to refresh, embed and support these;
- Undertake Council-wide employee survey and co-ordinate development of action plan in response to findings;
- Undertake the 2014 bi-annual survey of Members and identify improvement actions to address issues arising;
- Embed a positive organisational culture amongst senior managers; and
- Embed complaints follow up within self evaluation and improvement activity.

4 Decision Making

- Update report templates re equality impact assessment / links to Council Plan / options appraisal;
- Further development of linkages between resources and budget management; and
- Review Risk Management Strategy and support its implementation at Strategic and Service levels.

5 Skills

- Review and refine arrangements to ensure Elected Member CPD requirements are addressed and supported;
- Revise staff performance and development reviews to reflect new council and service plans;
- Establish the key development requirements through PDR and the interventions and activities to address these; and
- Management Development programme under review to support ongoing development and succession planning.

6 Accountability

- Improve the Council's public performance reporting framework;
- Finalise and implement a Comprehensive Community Engagement Strategy;
- Ensure residents, service users & stakeholders are well informed about decisions, policies, services & activities;
- Communicate Council Plan and Service and Improvement Plans to all staff;
- Review existing employee communication and engagement processes and standards; and
- Refresh community planning governance arrangements to reflect SOA guidance and Government expectations.

Over the course of 2014-2015, the Scrutiny and Governance Management Panel will continue to review the effectiveness of the Framework and progress against these actions.

Internal financial control:

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

- comprehensive budgeting systems;
- setting targets to measure financial and other performance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets;
- clearly defined capital expenditure guidelines; and
- formal project management disciplines, as appropriate.

The system of financial control can only ever provide reasonable and not absolute assurances 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 by the work of managers in the Council and by the work of internal and external audit in their annual report and other reports.

The Internal Audit function within South Ayrshire Council is responsible directly to the Chief Executive for the independent appraisal of the Council's internal systems of control. The Internal Audit section operates in accordance with the Public Sector Internal Audit Standards which came into force with effect from 1 April 2013. The section undertook an annual programme of work approved, for 2013-2014, by the Corporate and Community Planning Standing Scrutiny Panel (CCPSSP) in May 2013. In addition in May 2014 the CCPSSP received an annual assurance statement from the Chief Internal Auditor which covered the 2013-14 financial year.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. 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 taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are reported directly to the Chief Executive and the Council's Scrutiny Panel.

Management have continued to react positively to audit reports and have given assurance that measures will be, or already have been, put in place to minimise the potential recurrence of such issues.

Assurance for 2013-2014:

We consider the governance and internal control environment operating during 2013-2014 to provide 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. A number of improvements are proposed to further strengthen our governance arrangements and these are set out in the improvement actions for 2014-2015 section above. Implementing the action plan is a priority and progress will be reported to the Scrutiny and Governance Management panel.

Signed: Eileen Howat

Eileen Howat, Chief Executive

24 September 2014



Signed: Bill McIntosh

Councillor Bill McIntosh, Leader of the Council

24 September 2014



Section 4: Remuneration report

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of senior councillors and senior employees.

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

All information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland. 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 for performance management within the guidelines of and as determined by the Scottish Ministers and the Scottish Government. In reaching its decisions, the Council has regard to the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; the Council's policies for the improvement of the delivery of local public services and the funds available to the Council.

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). 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). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. In accordance with the regulations South Ayrshire Council may have up to 1 Leader, 1 Provost and 14 Senior Councillors. The regulations set out the maximum that the Council may pay as remuneration of Senior Councillors. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary grade within these maximum limits. In 2013-2014 South Ayrshire Council had 1 leader, 1 provost and 14 Senior Councillors. The regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme. Remuneration of elected members for 2013-2014, including the Leader, Provost, Depute Provost and Senior Councillors was agreed at a meeting of the South Ayrshire Council on 17 May 2012. All allowances and expenses paid to elected members follow policies and procedures and are reviewed regularly to ensure continued relevance and compliance with legislation.

The remuneration of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committees (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. SJNC circular CO/146 sets the amount of salary for the Chief Executive of South Ayrshire Council for the period. South Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are eligible to join the Local Government Pension Scheme (LGPS). The scheme is described in the Pension Benefits section below.

Remuneration

The following tables provide details of the remuneration of the Council's Senior Councillors, senior employees and the remuneration to the Managing Director of Ayr Renaissance which is a subsidiary body. A subsidiary body is an entity, including an incorporated body such as a partnership that is controlled by the Council.

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

The annual return of councillors' salaries and total expenses paid for 2013-2014 is available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours and is also available on the Council's website by following the link: www.south-ayrshire.gov.uk/council/expenses

a) Remuneration of Senior Councillors and Chair of Joint Boards

Name	Post title	Gross salary & allowances	Non-cash expenses & benefits-in-kind	2013-2014 Total remuneration	2012-2013 Total remuneration
		£	£	£	£
Councillor W McIntosh	Leader of the Council	32,804	-	32,804	31,847
Councillor H Moonie	Provost	24,603	-	24,603	23,326
Councillor B Grant	Senior Councillor (2)	21,715	-	21,715	20,828
Councillor J McDowall	Senior Councillor (2)	21,715	-	21,715	21,107
Councillor R Miller	Senior Councillor (2)	21,715	-	21,715	19,397
Councillor R Reid	Senior Councillor (2)	21,715	-	21,715	21,292
Councillor P Saxton	Senior Councillor (2)	21,715	-	21,715	20,828
Councillor M Toner	Senior Councillor (2)	21,715	-	21,715	21,422
Councillor I Cavana	Senior Councillor (1)	19,348	152	19,500	18,829
Councillor B Connolly	Senior Councillor (1)	19,592	-	19,592	19,230
Councillor P Convery	Senior Councillor (1)	19,592	-	19,592	19,457
Councillor K Darwent	Senior Councillor (1)	19,592	-	19,592	17,562
Councillor A Galbraith	Senior Councillor (1)	19,592	-	19,592	18,690
Councillor J Hampton	Senior Councillor (1)	19,592	-	19,592	19,272
Councillor M Kilpatrick	Senior Councillor (1)/ Depute Provost	19,592	-	19,592	19,272
Councillor B McGinley	Senior Councillor(1)	19,592	-	19,592	17,562
*Councillor J Allan	Councillor	-	-	-	16,237
*Councillor D Campbell	Councillor	-	-	-	16,907
*Councillor H Davies	Councillor	-	-	-	16,698
*Councillor I Douglas	Councillor	-	-	-	16,774
*Councillor I Fitzsimmons	Left – 2/5/12	-	-	-	1,558
*Councillor N McFarlane	Councillor	-	-	-	16,698
*Councillor W Sloan	Left – 2/5/12	-	-	-	2,147
**Councillor A Oattes	Councillor	-	-	-	16,851
		344,189	152	344,341	433,791

* denotes no longer held the post of Senior Councillor (2) or (1) following the local government election in May 2012.

**denotes no longer Chair of Ayrshire Valuation Board following the local government election in May 2012.

Note 1 – Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2013-2014 Annual Return which is available on the Council's website.

Note 2 – The post of Senior Councillor (2) carries responsibilities of portfolio holder and Senior Councillor (1) carries responsibilities of Scrutiny Panel Chair, Depute Provost, Chair of Regulatory Panel, Appeals Panel and/or Scrutiny & Governance Management Panel.

Note 3 – Councillor A Oattes was the Chair of Ayrshire Valuation Board until May 2012 prior to the local election and was remunerated for this position. An amount of £534 plus on-costs were recharged to The Ayrshire Valuation Board in 2012-2013.

Total remuneration represents gross salary & allowances and is net of any deductions relating to the Home Computer Initiative (HCI) salary sacrifice scheme. Total remuneration is presented on an accruals basis. There are no taxable expenses or compensation for loss of office payments associated with the above posts.

b) Remuneration paid to Councillors

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

	2013-2014 Total remuneration £	2012-2013 Total remuneration £
Salaries	574,037	564,591
Expenses	34,514	27,646
	608,551	592,237

The annual return of councillors' salaries and expenses for 2013-2014 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

		Year ended 31 March 2014				2012-2013
Name	Post title	Gross salary & allowances £	Taxable expenses £	Non-cash expenses & benefits-in-kind £	Total Remuneration £	Total Remuneration £
E Howat*	Chief Executive	124,102	-	-	124,102	105,476
D J Anderson**	Former Chief Executive	22,620 (full year equivalent £122,898)	-	-	22,620	122,545
L Bloomer	Executive Director- Economy, Neighbourhood & Environment	105,732	-	-	105,732	104,664
H M Garland	Executive Director-Care, Learning & Wellbeing	105,732	-	-	105,732	104,664
V Andrews***	Executive Director- Resources, Governance & Organisation	95,298	-	-	95,298	76,265
C Monaghan	Head of Policy, Community Planning & Public Affairs	75,513	-	400	75,913	74,786
H McLaughlin	Audit Services - Programme Review Manager	49,686	-	-	49,686	49,184
		578,683	-	400	579,083	637,584

*Eileen Howat was Acting Chief Executive until she gained the permanent role of Chief Executive on 23 May 2013.

**David Anderson left the employment of South Ayrshire Council on 22 May 2013.

***Valerie Andrews was the Head of Legal & Democratic Services until 19 June 2013, when she took up the role of Acting Executive Director of Resources, Governance and Organisation. She gained this role permanently on 24 February 2014.

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.

Gross Salary & Allowances represents gross salary and is net of any deductions relating to the Home Computer Initiative (HCI) salary sacrifice scheme. Total remuneration is presented on an accruals basis.

There were no compensation for loss of office payments associated with the senior employees of the Council.

d) Remuneration of the Council's subsidiary/associate body

This table sets out the remuneration paid to the Managing Director of the Council's subsidiary/associate body.

Name	Post title	Total remuneration 2013-2014	Total remuneration 2012-2013
		£	£
D Bell	Managing Director of Ayr Renaissance	76,236	75,465

Total remuneration represents gross salary. There are no allowances, taxable expenses, non-cash expenses, benefits in kind or compensation for loss of office payments associated with the above post.

e) Officers' Remuneration

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	Number of Employees
	2013-2014	2012-2013
£50,000 - £54,999	36	35
£55,000 - £59,999	19	19
£60,000 - £64,999	6	3
£65,000 - £69,999	3	2
£70,000 - £74,999	3	2
£75,000 - £79,999	6	8
£90,000 - £94,999	1	-
£100,000 - £104,999	-	3
£105,000 - £109,999	2	-
£120,000 - £124,999	1	1
	77	73

Pension benefits

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

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

The scheme's normal retirement age for both councillors and employees is 65.

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

The tiers and members' contribution rate for 2013-2014 are as follows:

Full time pay		Contribution rate 2013-2014	Contribution rate 2012-2013
On earnings up to and including £19,800	(£18,000 in 2012/13)	5.50%	5.50%
On earnings above £19,800 and up to £24,200	(£18,000 to £22,000 in 2012/13)	7.25%	7.25%
On earnings above £24,200 and up to £33,200	(£22,000 to £30,000 in 2012/13)	8.50%	8.50%
On earnings above £33,200 and up to £44,200	(£30,000 to £40,000 in 2012/13)	9.50%	9.50%
On earnings above £44,200	(£40,000 in 2012/13)	12.00%	12.00%

If a person works part-time their contribution is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

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

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option of commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequences of their total local government service, and not just their current employment.

a) Pension benefits of senior councillors

The pension entitlements for senior councillors for the year to 31 March 2014 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 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £	Difference from 31 March 2013 £
Councillor H Moonie	Provost	4,748	4,502	Pension	2,178	421
				Lump sum	1,455	66
Councillor B Grant	Senior Councillor(2)	4,191	3,634	Pension	753	492
				Lump sum	-	-
Councillor R Miller	Senior Councillor(2)	4,191	3,744	Pension	676	318
				Lump sum	-	-
Councillor R Reid	Senior Councillor(2)	4,191	3,634	Pension	763	502
				Lump sum	-	-
Councillor P Saxton	Senior Councillor(2)	4,191	4,020	Pension	1,909	376
				Lump sum	1,275	62
Councillor M Toner	Senior Councillor(2)	4,191	4,109	Pension	2,491	407
				Lump sum	1,664	19
Councillor I Cavana	Senior Councillor(1)	3,781	3,666	Pension	2,035	354
				Lump sum	1,359	30
Councillor B Connolly	Senior Councillor(1)	3,781	3,279	Pension	601	306
				Lump sum	-	-
Councillor K Darwent	Senior Councillor(1)	3,781	3,389	Pension	611	245
				Lump sum	-	-
Councillor J Hampton	Senior Councillor(1)	3,781	1,098	Pension	409	328
				Lump sum	-	-
Councillor M Kilpatrick	Senior Councillor(1)	3,781	3,719	Pension	2,244	324
				Lump sum	1,499	(7)
Councillor B McGinley	Senior Councillor(1)	3,781	3,078	Pension	611	242
				Lump sum	-	-
*Councillor D Campbell	Councillor	-	3,223	Pension	-	-
				Lump sum	-	-
*Councillor H Davies	Councillor	-	3,223	Pension	-	-
				Lump sum	-	-
*Councillor I Douglas	Councillor	-	3,187	Pension	-	-
				Lump sum	-	-
*Councillor N McFarlane	Councillor	-	3,087	Pension	-	-
				Lump sum	-	-
*Councillor A Oattes	Councillor	-	3,202	Pension	-	-
				Lump sum	-	-
		48,389	57,794		22,533	4,485

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

* denotes no longer held the post of Senior Councillor (2) or (1) following the local government election in May 2012.

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

The pension entitlements of senior employees for the year to 31 March 2014 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 title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £	Difference from 31 March 2013 £
E Howat	Chief Executive	23,952	20,200	Pension	48,383	9,053
				Lump Sum	114,327	17,269
D J Anderson	Former Chief Executive	3,391	23,484	Pension	52,164	226
				Lump Sum	131,289	(28)
L Bloomer	Executive Director-Economy, Neighbourhood & Environment	20,406	20,200	Pension	22,818	1,960
				Lump Sum	50,014	474
H M Garland	Executive Director – Care, Learning & Wellbeing	20,406	20,200	Pension	42,683	2,148
				Lump Sum	101,634	963
V Andrews	Executive Director – Resources, Governance & Organisation	18,393	14,565	Pension	14,292	4,071
				Lump Sum	19,385	3,816
C Monaghan	Head of Policy, Community Planning & Public Affairs	14,714	14,565	Pension	6,137	1,316
				Lump Sum	-	-
H McLaughlin	Audit Services - Programme Review Manager	9,589	9,492	Pension	14,142	2,918
				Lump Sum	26,044	2,208
		110,851	122,706		643,312	46,394

c) Pension benefits of the Council's subsidiary bodies

Name	Post title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2014 £	For year to 31 March 2013 £		As at 31 March 2014 £	Difference from 31 March 2013 £
D Bell	Managing Director of Ayr Renaissance	14,714	14,565	Pension	6,464	1,319
				Lump Sum	344	(3)
		14,714	14,565		6,808	1,316

Exit packages of employees

The table below sets out the number and costs of exit packages for both 2013-2014 and 2012-2013 financial years. The in year costs include redundancy, pay in lieu of notice, pension strain costs and compensatory lump sums for all retirees. The table also includes notional values for Compensatory Added Years (CAY) pension payments, which represents the present value of all future payments to the retiree 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 package cost band (including special payments)	2013-2014			2012-2013		
	Number of exit packages	Cost	Notional CAY cost	Number of exit packages	Cost	Notional CAY cost
		£	£		£	£
£0 - £20,000	64	304,436	49,145	36	112,716	52,021
£20,001 - £40,000	13	184,892	180,325	5	62,479	69,735
£40,001 - £60,000	4	105,084	100,370	2	30,323	65,255
£60,001 - £80,000	5	263,321	88,256	3	86,546	129,138
> £80,001*	2	127,648	57,981	3	277,950	299,941
Total	88	985,381	476,077	49	570,014	616,090

*Included in the 2012-2013 figures is an amount relating to the additional pension costs associated with the former Chief Executive's early retirement which also includes a proportion relating to the Returning Officer post held during his time in Office.

There were no compulsory redundancies during 2013-2014 or 2012-2013.

Signed: _____

Eileen Howat

Eileen Howat, Chief Executive

24 September 2014

Signed: _____

Bill McIntosh

Councillor Bill McIntosh, Leader of the Council

24 September 2014

Section 5: Core Financial Statements

I) Movement in council reserves statement for the year ended 31 March 2014

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 other 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.

2013-2014

	General fund balance	Housing revenue account balance	Capital Grants unapplied Account	Capital receipts reserve	Repair and renewal fund	Insurance fund	Capital fund	Total usable reserve	Unusable reserves	Total reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	24,458	14,590	1,187	589	4,297	425	-	45,546	256,061	301,607
Movement in reserves during 2013-2014										
Surplus or (deficit) on the provision of services	(4,229)	(10,251)	-	-	-	-	-	(14,480)	-	(14,480)
Other comprehensive income and expenditure	-	-	-	-	-	(1,322)	-	(1,322)	2,310	988
Total comprehensive income and expenditure	(4,229)	(10,251)	-	-	-	(1,322)	-	(15,802)	2,310	(13,492)
Adjustments between accounting basis and funding basis (Note 7)	6,034	9,106	(330)	(589)	-	-	-	14,221	(14,221)	-
Net increase/(decrease) before transfer to earmarked reserves	1,805	(1,145)	(330)	(589)	-	(1,322)	-	(1,581)	(11,911)	(13,492)
Transfers to/from earmarked reserves (Note 8)	(3,337)	-	-	-	2,015	1,322	-	-	-	-
Increase/(decrease) in 2013-2014	(1,532)	(1,145)	(330)	(589)	2,015	-	-	(1,581)	(11,911)	(13,492)
Balance at 31 March 2014	22,926	13,445	857	-	6,312	425	-	43,965	244,150	288,115

As outlined in the Foreword by the Head of Finance and ICT on pages 1 to 9, the 2012-2013 prior year Movement in Reserves Statement has been restated to incorporate the revisions to the IAS19 accounting policy.

2012-2013 Comparative figures (Restated)	General fund balance £000	Housing revenue account balance £000	Capital Grants unapplied Account £000	Capital receipts reserve £000	Repair and renewal fund £000	Insurance fund £000	Capital fund £000	Total usable reserve £000	Unusable reserves £000	Total reserves £000
Revised Opening Balance as at 1 April 2012	18,026	15,714	1,051	-	4,420	425	-	39,636	284,259	323,895
Movement in reserves during 2012-2013										
Surplus or (deficit) on the provision of services	7,765	(8,485)	-	-	-	-	-	(720)	-	(720)
Other comprehensive income and expenditure	-	-	-	-	-	(1,201)	-	(1,201)	(20,367)	(21,568)
Total comprehensive income and expenditure	7,765	(8,485)	-	-	-	(1,201)	-	(1,921)	(20,367)	(22,288)
Adjustments between accounting basis and funding basis (Note 7)	(255)	7,361	136	589	-	-	-	7,831	(7,831)	-
Net increase/(decrease) before transfer to earmarked reserves	7,510	(1,124)	136	589	-	(1,201)	-	5,910	(28,198)	(22,288)
Transfers to/from earmarked reserves (Note 8)	(1,078)	-	-	-	(123)	1,201	-	-	-	-
Increase/(decrease) in 2012-2013	6,432	(1,124)	136	589	(123)	-	-	5,910	(28,198)	(22,288)
Balance at 31 March 2013	24,458	14,590	1,187	589	4,297	425	-	45,546	256,061	301,607

II) Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing the Council's services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local authorities raise taxation to cover expenditure in accordance with regulations, and this is different from the accounting cost. The taxation position is shown in the *Movement in Reserves Statement*.

2012-2013 (Restated)					2013-2014		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
25,182	20,118	5,064	Central Services to the Public		16,500	11,870	4,630
21,415	7,305	14,110	Cultural and Related Services		20,728	6,990	13,738
103,913	2,973	100,940	Education Services		112,564	3,717	108,847
17,835	3,372	14,463	Environmental Services		17,450	3,129	14,321
5,541	-	5,541	Fire and Rescue Services		-	-	-
24,605	26,275	(1,670)	Housing Services		24,203	27,583	(3,380)
46,063	42,457	3,606	General Fund Housing		46,597	41,136	5,461
5,787	3,046	2,741	Planning and Development Services		8,437	4,461	3,976
6,981	-	6,981	Police Services		-	-	-
14,990	2,575	12,415	Roads and Transportation		14,291	1,789	12,502
86,433	15,309	71,124	Social Work		87,174	13,996	73,178
3,813	148	3,665	Corporate and Democratic Core		3,240	110	3,130
2,025	-	2,025	Non Distributed Costs		1,681	-	1,681
364,583	123,578	241,005	Cost of services		352,865	114,781	238,084
		8,414	(Gain) or loss on the disposal of non current assets				11,477
		(503)	(Surplus) or deficit on trading services	26			-
			Financing and Investment Income and Expenditure				
		14,643	Interest payable and similar charges				14,517
		(832)	Interest and investment income				(590)
		4,408	Net interest on the net defined benefit liability	35			5,274
			Taxation and non-specific grant income	29			
		(167,509)	Revenue support grant				(159,631)
		(8,118)	Recognised capital income				(9,727)
		(36,842)	Non domestic rates redistribution				(39,642)
		(53,946)	Council tax and community charge income				(45,282)
		720	(Surplus) or deficit on the provision of services				14,480
		(2,243)	(Surplus) or deficit on the revaluation of property, plant and equipment assets				(16,855)
		(59)	(Surplus) or deficit on the revaluation of available for sale financial assets				38
		22,669	Actuarial (gains) or losses on pension fund assets and liabilities	21			14,507
		1,201	Other unrealised (gains) or losses				1,322
		21,568	Other comprehensive (income) and expenditure				(988)
		22,288	Total comprehensive income and expenditure				13,492

III) Balance sheet as at 31 March 2014

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 of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are 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 (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges). The second category of reserves is those that the Council is not able to use to provide services. This category of reserve includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), 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".

31 March 2013 £000		Note	£000	31 March 2014 £000
636,133	Property, plant and equipment	9	643,234	
2,549	Heritage assets	10	2,549	
-	Investment properties	11	-	
120	Intangible assets	12	54	
2,451	Long term investments	13	695	
63	Long-term debtors	13	63	
641,316	Long-term assets			646,595
30,403	Short-term investments	13	42,000	
3,157	Assets held for sale	17	3,157	
596	Inventories	14	681	
19,151	Short-term debtors	15	21,708	
32,373	Cash and cash equivalents	16	11,940	
85,680	Current assets			79,486
(10,135)	Short-term borrowing	13	(4,066)	
(41,807)	Short-term creditors	18	(40,012)	
(645)	Provisions	19	(727)	
(8,830)	Other short-term liabilities	20	(8,490)	
(61,417)	Current liabilities			(53,295)
(6,503)	Provisions	19	(5,469)	
(177,169)	Long-term borrowing	13	(178,096)	
(1,993)	Other long-term liabilities (finance leases)	32	(2,736)	
(116,054)	Other long-term liabilities (pensions)	35	(138,177)	
(62,253)	Other long-term liabilities	13	(60,193)	
(363,972)	Long-term Liabilities			(384,671)
301,607	Net assets			288,115
45,546	Usable reserves			43,965
256,061	Unusable reserves	21		244,150
301,607	Total reserves			288,115

The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 24 September 2014.



Tim Baulk BA Acc, CPFA
Head of Finance and ICT

24 September 2014

IV) Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

(Restated) 2012-2013 £'000	CASH FLOW STATEMENT	Note	2013-2014 £'000	2013-2014 £'000
720	Net (surplus) or deficit on the provision of services			14,480
	Adjustments to net surplus or deficit on the provision of services for non cash movements			
(21,044)	Depreciation & impairment of fixed assets		(26,770)	
(62)	Amortisation of intangible assets		(66)	
(1,541)	(Increase)/Decrease in creditors		2,352	
(70)	Increase/(Decrease) in debtors		2,557	
(31)	Increase/(Decrease) in inventories		85	
(3,924)	Pension liability		(7,616)	
(9,814)	Carrying amount of non-current assets sold		(12,619)	
8,113	Other non cash items		4,734	
(28,373)	Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities			(37,343)
1,400	Proceeds from sale of property, plant and equipment, investment property and intangible assets		1,142	1,142
(26,253)	Net cash flows from operating activities			(21,721)
22,665	Investing activities	23		30,449
(7,109)	Financing Activities	24		11,705
(10,697)	Net (increase) or decrease in cash and cash equivalents			20,433
(21,676)	Cash and cash equivalents at the beginning of the reporting period			(32,373)
(32,373)	Cash and cash equivalents at the end of the reporting period	16		(11,940)

Section 6: Notes to the Core Financial Statements

Note 1 Accounting policies

1. General principles

The Annual Accounts summarise the Council's transactions for the 2013-2014 financial year and its position at the year end of 31 March 2014. The Council is required to prepare an annual "statement of accounts" by the *Local Authority Accounts (Scotland) Regulations 1985*. 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 2013-2014* and the *Service Reporting code of Practice for local authorities* (SeRCOP), supported by *International Financial Reporting Standards* (IFRS).

The Code & SeRCOP are 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.

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 the sale of goods or the provision of services is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser or can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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. Carbon reduction commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the last year of its introductory phase which ends on 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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. Charges to revenue for non-current assets

Services, support services and trading accounts 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.

6. Employee benefits

Benefits payable during employment

Short term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned during the year are included in the Statement of 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 as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged 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, not 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 enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post employment benefits

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 of 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 benefits" scheme:

- The liabilities of the Strathclyde Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the "projected 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.

Adoption of the 2011 amendments to IAS 19 Employee Benefits and IAS 1 Presentation of Financial Statements are effective for accounting years starting on or after 1 January 2013 and, in accordance with IAS 8 Changes in Accounting Policies, these changes will be retrospectively applied for the prior accounting period where material. Any prior year impact is reported in Note 35 to the accounts. New classes of components for defined benefit costs and new recognition criteria for service costs are recognised in the financial statements.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - Current service cost: The increase in liabilities as a result 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 as a result 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, taking into account any changes in the net defined liability (asset) during the period as a result 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 as a result 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.

7. Events after the reporting period

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 when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

9. Financial assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the Council's short term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement for the present value of the interest that will be forgone 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 Comprehensive income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive income and Expenditure Statement to the net gain 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Available-for-Sale assets

Available-for-sale assets are recognised on the Balance sheet when the Council becomes a party to contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Available-for-sale assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-for-sale Financial Asset. The exception is where impairment losses have been incurred. These are debited to the Financing and Investing Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

10. 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.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the Income and Expenditure Account in the year of extinguishment of the original debt in accordance with accounting regulations.

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.

11. Foreign currency translation

Where the Council has entered into transactions denominated in a foreign currency, the transaction is converted into sterling at the exchange rate on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year end, they are converted at the exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the comprehensive Income and Expenditure Statement.

12. 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 Account 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.

13. Heritage assets

The Council holds and conserves heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of South Ayrshire.

Heritage assets are recognised and measured in accordance with the Council's accounting policy on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

Heritage assets shall be measured at historic cost or fair value. Where the Council considers that it is not practicable to obtain a valuation at a cost commensurate with the benefits to users of the financial statements, and that reliable cost or valuation information cannot be obtained, the asset shall not be recognised on the Balance Sheet.

Where assets are measured at fair value, valuations shall be made by any method that is appropriate. This shall include valuations for insurance purposes. Individual valuations shall be made of the most important artefacts; otherwise a global figure shall be determined for similar categories of asset, where appropriate. Valuations have a cost implication and decisions can and will be made not to seek valuations on certain artefacts or categories of artefacts. Surpluses or deficits in valuation shall be recognised in the Comprehensive Income and Expenditure Statement.

The heritage asset collections are accounted for as follows:

Museum and art gallery collections

The Council's collections of objects at the Rozelle Gallery, Ayr and McKechnie Institute, Girvan form the major part of the heritage assets held by the Council and have been developed over a number of years for the purposes of reference, research and education.

The figure disclosed in the Balance Sheet is based on the assessment by the Council's insurers of the replacement value for the combined collections. No depreciation shall be charged on any heritage asset in view of the indeterminate life and high residual value.

The collections are largely stagnant in nature with very little turnover in objects. The museum occasionally makes available on loan objects to national and international exhibitions and accepts objects on loan in association with various projects. Since inception of South Ayrshire Council donations are included at current valuation. Purchases are at cost. Donations prior to inception are held at historic cost where this information is available. It is the policy of the Council not to ordinarily accept any donations with attached conditions. Disposals are rare and require the prior approval of the Council and are subject to restrictions. Further information is available in the Museum's acquisitions and disposals policy document.

Civic regalia and other civic effects

The civic regalia and other civic effects in the County Buildings and Rozelle Gallery are reported in the Balance Sheet at a replacement cost insurance valuation by external valuers.

Heritage assets not recognised in the balance sheet

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

Heritage assets – general

The carrying amount of heritage assets are reviewed where there is evidence of impairment for heritage assets. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council will occasionally dispose of heritage assets that have a doubtful provenance or are unsuitable for public display. The proceeds of any items disposed of are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

14. Intangible assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not re-valued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

15. Interest in companies and other entities

The Council has material interests in companies and other entities that have the nature of associates and jointly controlled entities requiring the preparation of Group accounts.

16. Inventories

Inventories include consumable stock and work-in-progress. Consumable stock brought into account is included in the Balance Sheet at the lower of cost and net realisable value. The valuation of work-in-progress has been made at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

17. Investment property

Investment properties are those that are used solely to earn rentals or for capital appreciation or both. The definition is not met if the property (land and buildings, or part of a building or both) is used in any way in the delivery of services or for administrative purposes or is held for sale in the normal course of operations. The Council has no such properties that meet this criteria.

18. Leases

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

The Council as lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease fair value measured at the lease's inception (or the present value of the minimum lease payment, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement)

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property over the term of the lease. Charges are made on a straight line basis over the life of the lease.

The Council as lessor

Operating leases

The Council as landlord has granted commercial leases of premises and sites to various tenants on a variety of lease terms. The arrangements are accounted for as operating leases. Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. The rental income receivable is included in the Comprehensive Income and Expenditure Statement.

19. Overheads and support services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013-2014 (SeRCOP). The total absorption costing principle is used i.e. the full cost of overheads and support services are shared in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core: costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs: cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in the CIPFA *Service Reporting Code of Practice 2013-2014* and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services. All overheads not defined as corporate and democratic core or non-distributable costs are fully charged to service expenditure headings. A proportion of the costs of support services is recharged to capital projects.

20. 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.

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.

21. Property, plant and equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Plant, furniture and computer equipment costing less than £6,000 are not treated as Property, Plant and Equipment and are charged to the appropriate service line in the Comprehensive Income and Expenditure Account. This de minimis does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

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 £1m.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets, and assets under construction: depreciated historical cost
- dwellings: fair value determined using the basis of existing use value for social housing (EUV-SH)
- all other assets: fair 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 fair value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but as a minimum every five years.

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
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Property valuations are carried out by The Royal Institute of Chartered Surveyors (RICS) professional staff within the Council's Directorate of Resources, Governance and Organisation or their appointed agent.

Impairment

Where indications exist that an asset may be impaired and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and non-current assets held for sale

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off value of disposal is not a charge against the council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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 charged in the year of acquisition but no depreciation is charged in the year of disposal.

The periods of depreciation and categories of assets are detailed within Note 9 on page 48 of the South Ayrshire Council 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.

22. Public finance initiative

Public Finance initiative (PFI) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI operator. As the Council is deemed to control the services that are provided under its schools PFI scheme and as ownership of the schools will pass to the Council at the end of the contracts for no additional charge, the accounting regulations (*IFRIC12 Service Concession Arrangements*) require that the Council recognises the three primary schools, two secondary schools and an annex to an existing secondary school opened between 2007-2008 and 2009-2010 under the contract as part of Property, Plant and Equipment on its Balance Sheet.

The original recognition of the schools PFI assets at fair value (based on the cost of construction) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The schools PFI assets are 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
- lifecycle replacement costs – recognised as fixed assets on the Balance Sheet

23. 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, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried up 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.

24. 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 so as to be included within the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Reserves are classified under accounting regulations into two broad categories – **usable** which are available to support services and **unusable** which are unrealised and have a deferred impact on taxation.

Usable reserves

The Council has several statutory reserve funds within this category. The Insurance Fund is earmarked for insurance purposes. The Repairs and Renewal Fund provides funds to facilitate asset improvements and efficiencies in future years. The Capital Fund is used to meet the costs of capital investment in assets and for the repayment of the principal element of borrowings. The Council also holds two further reserves within this category, the Capital Grants Unapplied account which hold capital grants which have been received but have not yet been utilised to fund capital expenditure and the Capital Receipts Reserve which holds capital receipts which have not yet been used to fund capital expenditure.

Unusable reserves

Certain reserves are kept to manage 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 at 31 March each year.

25. 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.

26. VAT

In general, income and expenditure excludes 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.

Note 2 Accounting Standards issued not adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2014-2015 Code:

- IFRS 10 Consolidated Financial Statements (May 2011)
- IFRS 11 Joint Arrangements (May 2011)
- IFRS 12 Disclosure of Interests in Other Entities (May 2011)
- IAS 27 Separate Financial Statements (as amended in May 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation (as amended in December 2011)
- IAS 1 Presentation of Financial Statements (as amended in May 2011)
- Annual Improvements to IFRS 2009-2011 Cycle

The Code requires implementation from 1 April 2014 and there is therefore no impact on the 2013-2014 financial statements.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 relate specifically to the group accounts. These new or amended standards include a change to the definition of control and will require consideration of joint arrangements, a reassessment of the group boundary and potentially further disclosure. IAS 32 outlines disclosure requirements in respect of offsetting financial assets and liabilities. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

Note 3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is 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 provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council is deemed to control the services provided under the agreement and ownership of the schools will pass to the Council at the end of the contract for no additional charge. The assets used to provide services at the schools are recognised on the Council's Balance Sheet.
- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has no investment properties. All Property, Plant and Equipment is used in the delivery of services, either for administrative purposes or as part of the Council's strategy for economic development in South Ayrshire.
- Unused holiday entitlement earned at 31 March 2014 but not taken at that date has been quantified on the basis of a 5% sample of all non term time council employees. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement earned as at 31 March and no estimation is required for these staff. The liability included in the 2013-2014 financial statements in respect of this is £4.073m.
- Two Joint Boards (Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Board) were included within the Group Accounts for 2013-2014 under the definition of "Associates", despite the Council holding less than 20% of voting rights that would normally be presumed to cover "Significant Interest". This was as a consequence of the funding arrangements between the constituent local authorities and the Joint Boards.

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Employee related claims

Uncertainties: The Council has made a provision of £5.327m for the potential outcome of outstanding employee related claims.

Effect if the results differ from assumptions: An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.532m to the provision needed.

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 pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate would result in an increase of £80.169m in the pension liability, equating to a 12% increase.

Property, plant and equipment

Uncertainties: 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. The current economic climate may create uncertainty around the valuations of the assets and their existing lives.

Effect if results differ from assumptions: If the useful life of assets is reduced, depreciation increases and the carrying amount of asset falls.

Uncertainties: Council dwellings are valued at fair value, determined using the basis of existing use value for social housing (EUV-SH). The introduction of International Financial Reporting Standards requires that council dwellings are initially valued at market value and thereafter adjusted for the difference between private sector rental values and those rentals charged by the Council.

Effect if results differ from assumptions: Asset valuations could be misstated.

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 set in the funding model will require the Council to identify and allocate additional funding to the scheme.

Bad debts

Uncertainties: At 31 March 2014, the Council had a balance of gross debtors (excluding council tax, community charge and non-domestic rate income) of £22.451m. A review of significant balances suggested that an allowance for doubtful debts of £5.008m was appropriate.

Effect if results differ from assumptions: In terms of financial modelling a 1% increase in the allowance would lead to an additional cost to the Council of £0.224m.

Note 5 Material items of income and expense

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement (CIES), *The Code* requires a disclosure of the nature and amount of material items. In 2013-2014 there were no material items of income and expense requiring additional disclosure.

Note 6 Events after the balance sheet date

The annual accounts were signed by the Head of Finance and ICT on 26 June 2014. Where events which took place before this date provided information about conditions which existed at 31 March 2014, the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date have not been reflected in the financial statements and notes.

Note 7 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure 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.

Capital receipts reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted from being used other than to fund new capital expenditure or to be set aside to finance historic capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

2013-2014	Usable reserves				Unusable reserve
	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Capital receipts reserve £000	Net movement £000
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	963	589	(1,552)
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	(16,793)	(9,977)	-	-	26,770
Amortisation of intangible assets	(66)	-	-	-	66
Capital grants and contributions applied	9,066	661	(633)	-	(9,094)
Revenue expenditure funded from capital under statute	(259)	-	-	-	259
Net gain or (loss) on sale of non-current assets	(460)	(11,017)	-	-	11,477
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>	-	-	-	-	-
Statutory provision for the financing of capital investment	8,806	1,236	-	-	(10,042)
Capital expenditure charged against the general fund and HRA balances	557	10,020	-	-	(10,577)
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	252	121	-	-	(373)
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	315	14	-	-	(329)
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 35)	(7,452)	(164)	-	-	7,616
Total Adjustments	(6,034)	(9,106)	330	589	14,221

Figures for restated 2012-2013 are provided in an additional table below for the purposes of comparison.

2012-2013 Restated Comparative information	Usable reserves				Unusable reserve
	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Capital receipts reserve £000	Net movement £000
Adjustments primarily involving the capital grants unapplied account:					
Application of grants to capital financing transferred to the capital adjustment account	-	-	711	-	(711)
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	(11,707)	(9,337)	-	-	21,044
Amortisation of intangible assets	(62)	-	-	-	62
Capital grants and contributions applied	7,545	573	(847)	-	(7,271)
Revenue expenditure funded from capital under statute	(36)	-	-	-	36
Net gain or (loss) on sale of non-current assets	(928)	(7,486)	-	(589)	9,003
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>					
Statutory provision for the financing of capital investment	8,382	809	-	-	(9,191)
Capital expenditure charged against the general fund and HRA balances	619	8,072	-	-	(8,691)
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	305	144	-	-	(449)
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	(77)	2	-	-	75
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 35)	(3,786)	(138)	-	-	3,924
Total Adjustments	255	(7,361)	(136)	(589)	7,831

Note 8 Transfers 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 2013-2014. Figures for 2012-2013 are provided in an additional table below for the purposes of comparison.

2013-2014

	Transfers to or from Other Statutory Reserves			
	General Fund Balance	Repair and Renewals Fund	Insurance Fund	Capital Fund
	£000	£000	£000	£000
Use of the capital fund to finance appropriate expenditure	-	-	-	-
Contribution to repair & renewal fund from general fund	(2,015)	2,015	-	-
Contribution to insurance fund from general fund	(1,322)	-	1,322	-
Total adjustments	(3,337)	2,015	1,322	-

2012-2013 Comparative information

	Transfers to or from Other Statutory Reserves			
	General Fund Balance	Repair and Renewals Fund	Insurance Fund	Capital Fund
	£000	£000	£000	£000
Use of the capital fund to finance capital expenditure	-	-	-	-
Contribution to repair & renewal fund from general fund	123	(123)	-	-
Contribution to insurance fund from general fund	(1,201)	-	1,201	-
Total adjustments	(1,078)	(123)	1,201	-

Note 9 Property, plant and equipment**Movement on balances**

The movements on balances for Property, Plant and Equipment are shown in the following table.

2013-2014

	Council Dwellings	Other Land & Buildings	PPP Schools Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2013	261,511	291,995	76,459	20,532	58,502	364	4,793	6,025	720,181
Addition in year	12,133	12,796	-	1,309	1,147	-	-	2,417	29,802
Disposals in year	(14,117)	(2,579)	-	-	-	-	(91)	-	(16,787)
Revaluation adjustments to revaluation reserve	-	5,319	(1,319)	15	-	33	227	-	4,275
Revaluation adjustments to CIES	(86)	(472)	-	-	-	-	(572)	(9)	(1,139)
Other reclassifications	1,297	3,496	-	134	537	-	-	(5,464)	-
At 31 March 2014	260,738	310,555	75,140	21,990	60,186	397	4,357	2,969	736,332
Depreciation and impairment									
At 1 April 2013	33,643	14,801	6,876	13,734	14,773	-	221	-	84,048
Depreciation charge for the year	9,168	5,449	1,526	1,722	1,506	-	52	-	19,423
Impairment losses to revaluation reserve	-	(191)	(6,853)	-	-	-	-	-	(7,044)
Impairment losses to CIES	-	-	-	-	-	-	-	-	-
On disposals	(2,123)	(1,206)	-	-	-	-	-	-	(3,329)
Other reclassifications	-	-	-	-	-	-	-	-	-
At 31 March 2014	40,688	18,853	1,549	15,456	16,279	-	273	-	93,098
Balance Sheet amount at 31 March 2014	220,050	291,702	73,591	6,534	43,907	397	4,084	2,969	643,234
Nature of asset holding									
Owned	220,050	289,838	-	5,347	43,907	397	4,084	2,969	566,592
Finance lease	-	1,864	-	1,187	-	-	-	-	3,051
PPP	-	-	73,591	-	-	-	-	-	73,591
	220,050	291,702	73,591	6,534	43,907	397	4,084	2,969	643,234

2012-2013

Comparative movements

	Council Dwellings	Other Land & Buildings	PPP Schools Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets not for Sale	Assets Under Construction	Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2012	262,191	281,293	76,375	19,589	57,606	370	3,433	6,956	707,813
Addition in year	8,843	2,345	-	929	896	-	-	4,651	17,664
Disposals in year	(9,504)	(836)	-	-	-	(6)	(14)	-	(10,360)
Revaluation adjustments to revaluation reserve	-	(272)	84	16	-	-	16	-	(156)
Revaluation adjustments to CIES	(19)	(2,354)	-	(2)	-	-	(7)	-	(2,382)
Other reclassifications	-	11,819	-	-	-	-	1,365	(5,582)	7,602
At 31 March 2013	261,511	291,995	76,459	20,532	58,502	364	4,793	6,025	720,181
Depreciation and impairment									
At 1 April 2012	25,599	12,593	5,339	12,138	13,310	-	184	-	69,163
Depreciation charge for the year	9,250	5,140	1,537	1,611	1,463	-	53	-	19,054
Impairment losses to revaluation reserve	-	(639)	-	(15)	-	-	(4)	-	(658)
Impairment losses to CIES	-	(2,209)	-	-	-	-	(10)	-	(2,219)
On disposals	(1,206)	(84)	-	-	-	-	(2)	-	(1,292)
Other reclassifications	-	-	-	-	-	-	-	-	-
At 31 March 2013	33,643	14,801	6,876	13,734	14,773	-	221	-	84,048
Balance Sheet amount at 31 March 2013	227,868	277,194	69,583	6,798	43,729	364	4,572	6,025	636,133
Nature of asset holding									
Owned	227,868	276,355	-	5,340	43,729	364	4,572	6,025	564,253
Finance lease	-	839	-	1,458	-	-	-	-	2,297
PPP	-	-	69,583	-	-	-	-	-	69,583
	227,868	277,194	69,583	6,798	43,729	364	4,572	6,025	636,133

Depreciation

As highlighted in Note 1 Accounting Policies under "Property, Plant and Equipment" on page 35, depreciation is provided for all assets with a determinable life on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the table below:

Category	Sub Category	Useful life (years)	Valuer	Basis of Valuation	Date of last full valuation
Other land and buildings	Specialised buildings	10 to 40	James Barr Ltd	Depreciated Replacement Cost /Existing use (MV-DRC/EUV)	31-Mar-11
	Buildings	5 to 99	Estates Team Leader	Market Value / Existing Use Value / Depreciated Replacement Cost / Historic Cost (MV/EUV/DRC/HIST)	31-Mar-13
	Land	Up to 999	Estates Team Leader	Market Value / Existing Use Value / Depreciated Replacement Cost / Historic Cost (MV/EUV/DRC/HIST))	31-Mar-13
Council dwellings	~	30	Asset Coordinator	Net Realisable Value 'Beacon Principle' (EUVSH)	31-Mar-10
Vehicles	~	0 to 7	Transport Manager	Net Realisable Value (NRV)	Not Applicable
Equipment	~	5 to 20	Not applicable	Historical Cost	Not Applicable
Infrastructure assets	~	Up to 40	Not applicable	Historical Cost	Not Applicable
Assets under construction	~	5 to 99	Not applicable	Historical Cost	Not Applicable
Community assets	~	99 to 999	Not applicable	Historical Cost	Not Applicable
Schools PPP assets	~	25	Estates Team Leader	Depreciated replacement cost/existing use (MV-DRC/EUV)	31-Mar-14

Effect of changes in estimates

The Council made no material changes to its accounting estimates for Property, Plant & Equipment during the year.

Commitments under capital contracts

In December 2013, the Council approved capital investment programmes for both General Services and Housing for 2014-2015 for construction or enhancement of Property, Plant and Equipment, as outlined in the table below.

	General Services £000	Housing £000	Total £000
Expenditure			
Capital investment	28,429	20,036	48,465
	28,429	20,036	48,465
Sources of finance			
Prudential borrowing	15,054	4,937	19,991
Capital grants, contributions and other receipts	13,375	9,717	23,092
Capital funded from current revenue	-	5,382	5,382
	28,429	20,036	48,465

Revaluation programme

The following statement shows the progress of the Council's programme for the revaluation of Property, Plant and Equipment that ensures all its PPE assets required to be measured at fair value are re-valued at least every five years. The measurement bases used for determining the gross carrying amount; the valuers and the significant assumptions applied in estimating the fair values are disclosed separately in Note 1 Accounting Policies under "Property, Plant & Equipment" on page 35.

	Council Dwellings £000	Other Land and Buildings £000	School PPP Assets £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets not for Sale £000	Assets under construction £000	Total £000
Carried at Historic cost:	6,992	40,941	510	21,970	60,186	324	574	2,969	134,466
Valued at fair value as at:									
31-Mar-14	-	35,067	74,630	-	-	25	1,547	-	111,269
31-Mar-13	-	31,108	-	20	-	34	83	-	31,245
31-Mar-12	-	8,880	-	-	-	10	197	-	9,087
31-Mar-11	-	192,149	-	-	-	4	1,956	-	194,109
31-Mar-10	253,746	2,410	-	-	-	-	-	-	256,156
	260,738	310,555	75,140	21,990	60,186	397	4,357	2,969	736,332

Note 10 Heritage assets

Valuation	Fine Arts £000	Other Heritage Assets £000	Civic Regalia £000	Total Heritage Assets £000
1 April 2013	1,514	1,001	34	2,549
Movements during the year	-	-	-	-
31 March 2014	1,514	1,001	34	2,549
1 April 2012	1,514	1,001	34	2,549
Movements during the year	-	-	-	-
31 March 2013	1,514	1,001	34	2,549

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 of the above assets are as follows:

Thomas R Callan, April 2010

AXA Art, March 2011

Civic regalia and other civil effects

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

Robert Horn, March 2010

Note 11 Investment properties

Following a review of property classifications during 2012-2013 it was determined that those assets classified as investment properties should be re-classified as either other land and buildings or surplus assets not for sale. The transfer of these assets took place during 2012-2013. As the Council does not now hold any investment assets the income received is no longer identified separately but is included with the net cost of services shown in the Comprehensive Income and expenditure statement.

The following table summarises the movement in the fair value of investment properties over the year:

	31 March 2014	31 March 2013
	£000	£000
Balance at start of the year	-	7,952
Disposals	-	(350)
Net gain from fair value adjustments	-	-
Transfers:		
to assets held for sale	-	-
to/from property, plant and equipment	-	(7,602)
Balance at end of the year	-	-

Note 12 Intangible assets

The Council accounts for its software & 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 & licenses, assessed as either three or five years.

There have been no changes to the estimated useful life of any intangible assets during the year; there have been no revaluations, disposals or transfers 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 2014	31 March 2013
	Purchased Software Licenses	Purchased Software Licenses
	£000	£000
Balance at start of year:		
Gross carrying amounts	937	829
Accumulated amortisation	(817)	(755)
Net carrying amount at start of year	120	74
Additions:		
Purchases	-	108
Reclassifications	-	-
Amortisation for the period	(66)	(62)
Net carrying amount at end of the year	54	120
Comprising:		
Gross carrying amounts	937	937
Accumulated amortisation	(883)	(817)
	54	120

Note 13 Financial instruments

Categories of financial instrument

The following categories of financial instruments were carried in the Balance Sheet:

	Long Term		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Investments				
Loans and receivables	-	1,718	42,000	30,403
Available for sale financial assets	695	733	-	-
Total investments	695	2,451	42,000	30,403
Debtors				
Loans and receivables	63	63	24	49
Financial assets carried at contract amounts	-	-	21,684	19,102
Total debtors	63	63	21,708	19,151
Borrowings				
Financial liabilities at amortised cost	178,096	177,169	4,066	10,135
Total borrowings	178,096	177,169	4,066	10,135
Other long term liabilities				
Finance lease liabilities	2,736	1,993	315	304
PPP	60,193	62,253	4,095	4,158
Total other long term liabilities	62,929	64,246	4,410	4,462
Creditors				
Financial liabilities carried at contract amount			40,012	41,807
Total Creditors			40,012	41,807

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 shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair Value has been measured by:

- direct reference to published price quotations in an active market; and/or
- estimating using a valuation technique

The Council has made a soft loan to an organisation to the value of £0.024m at less than market interest rates (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

Reclassifications between categories

The Council did not reclassify any financial assets or liabilities between categories during the year.

Income, expense, gains and losses

The income and expense, and gains and losses for Financial Instruments recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	2013-2014				2012-2013			
	Financial Liabilities (Liabilities measured at amortised cost)	Loans and Receivables	Available-for-sale Assets	Total	Financial Liabilities (Liabilities measured at amortised cost)	Loans and Receivables	Available-for-sale Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	14,524	-	-	14,524	14,593	-	-	14,593
Impairment losses/(rebate)	(7)	-	-	(7)	50	-	-	50
Interest payable and similar charges in surplus or deficit on the provision of services	14,517	-	-	14,517	14,643	-	-	14,643
Interest income	-	(590)	-	(590)	-	(832)	-	(832)
Interest and investment income in surplus or deficit on the provision of services	-	(590)	-	(590)	-	(832)	-	(832)
(Gains) or losses on revaluation	-	-	38	38	-	-	(59)	(59)
Surplus or deficit arising from revaluation of financial assets in other comprehensive income and expenditure	-	-	38	38	-	-	(59)	(59)
Net (gain) or loss for the year	14,517	(590)	38	13,965	14,643	(832)	(59)	13,752

Fair values of assets and liabilities

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

- the valuation date is 31 March 2014
- for loans from the Public Works Loan Board (PWL) and other loans payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- for loans receivable prevailing benchmark market rates have been used to provide the fair value;
- no early repayment or impairment is recognised;
- where the 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

The fair values are calculated as follows:

	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
PWLB	133,057	148,630	133,192	158,617
Market Debt	49,105	51,050	44,112	48,350
Short Term Borrowing	-	-	10,000	10,002
Sub Total Borrowing	182,162	199,680	187,304	216,969
PPP liability	64,288	64,288	66,411	66,411
Short Term Finance Lease Liability	315	315	304	304
Long Term Finance Lease Liability	2,736	2,736	1,993	1,993
Short Term Creditors	40,012	40,012	41,807	41,807
	107,351	107,351	110,515	110,515
Total Liabilities	289,513	307,031	297,819	327,484

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This increases the fair value of financial liabilities (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2014		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Assets				
Long-term investments Freeport	695	695	733	733
Long Term Investment Landsbanki	-	-	1,718	1,718
Investments	42,000	42,196	30,403	30,912
Long term debtors	63	63	63	63
Other debtors	24	24	49	49
Current asset debtors	21,684	21,684	19,102	19,151
	64,466	64,662	52,068	52,626

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 14 Inventories

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	31 March 2014	31 March 2013 Restated	31 March 2014	31 March 2013	31 March 2014	31 March 2013 Restated	31 March 2014	31 March 2013
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance outstanding at start of year	227	313	292	237	77	77	596	627
Purchases	1,590	1,909	1,068	1,028	1,377	1,202	4,035	4,139
Recognised as an expense in year	(1,509)	(1,995)	(1,076)	(977)	(1,358)	(1,202)	(3,943)	(4,174)
Written off balances	-	-	1	4	(8)	-	(7)	4
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance outstanding at year end	308	227	285	292	88	77	681	596

Prior year restatement: The classification of Consumable Stores in 2012-13 included Property Acquired or Constructed for Sale. This change is reflected above but has no effect on the overall total for Inventory 2012-13.

Note 15 Debtors

	31 March 2014	31 March 2013
	£000	£000
Central government bodies	3,841	3,726
Other local authorities	930	219
NHS bodies	2,263	33
Trade debtors	8,785	8,999
Other entities and individuals	1,562	3,501
Non domestic rates	1,784	-
Council tax/community charge	2,359	2,204
Accrued interest on investments	160	420
Total	21,684	19,102

The amount shown in the Balance Sheet for debtors of £21.708m as at 31 March 2014 on page 25 includes £0.024m for soft loans which for Balance Sheet purposes are classed as short term debtors but are not included in the above table.

Note 16 Cash and cash equivalents

	31 March 2014	31 March 2013
	£000	£000
Cash held by the authority	43	41
Bank current accounts	(903)	(5,468)
Short term deposits with banks and other local authorities	12,800	37,800
Total cash and cash equivalents	11,940	32,373

Note 17 Assets held for sale

	31 March 2014	31 March 2013
	£000	£000
Balance outstanding at start of year	3,157	3,554
Assets newly classified as held for sale: Property, plant and equipment	-	-
Revaluation gains	-	-
Assets disposed	-	(397)
Balance outstanding at year end	3,157	3,157

Note 18 Creditors

	31 March 2014	31 March 2013
	£000	£000
Central government bodies	4,246	3,968
Other local authorities	264	488
NHS bodies	747	1,230
Trade creditors	28,994	28,588
Other entities and individuals	3,342	2,758
Non domestic rates	-	2,061
Accrued interest on borrowings	2,419	2,714
Total	40,012	41,807

Note 19 Provisions

	Employee related claims	Business and other grant payments outstanding	Outstanding insurance costs	Total
	£000	£000	£000	£000
Balance as at 1 April 2013	6,374	470	304	7,148
Additional/(reduced) provisions made in 2013-2014	-	432	16	448
Amounts used in 2013-2014	(1,047)	(175)	(178)	(1,400)
Balance as at 31 March 2014	5,327	727	142	6,196

Employee related claims

The Council has made a provision in respect of a number of employee related potential claims outstanding at 31 March 2014.

Business and other grant payments outstanding

This provision includes outstanding payments for enterprise grants and grants to voluntary organisations.

Insurance costs

The provision relates to the Council's share of the former Strathclyde Regional Council's insurance claims

Note 20 Other short term liabilities

	31 March 2014	31 March 2013
	£000	£000
Public Private Partnership (PPP)	4,095	4,158
Amounts owed to Common Good	2,672	2,953
Amounts owed to Trusts and others	1,408	1,415
Finance Lease	315	304
	8,490	8,830

Note 21 Unusable reserves**Summary of year-end balances**

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

	31 March 2014	31 March 2013
	£000	£000
Revaluation reserve	131,850	117,161
Capital adjustment account	267,663	272,803
Financial Instrument adjustment account	(13,767)	(14,140)
Available for sale financial instruments reserve	654	693
Pension reserve	(138,177)	(116,054)
Employee statutory mitigation account	(4,073)	(4,402)
	244,150	256,061

a) 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.

	2013-2014	2012-2013
	£000	£000
Balance at 1 April	117,161	116,556
Upward revaluation of assets	17,416	4,309
Downward valuation of assets and impairment losses not charged to the surplus/(deficit) on the Provision of Services	(562)	(2,064)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the Provision of Services	16,854	2,245
Difference between fair value depreciation and historical cost depreciation	(1,184)	(1,160)
Accumulated gains on assets sold or scrapped	(981)	(480)
Amount written off to the Capital Adjustment Account	(2,165)	(1,640)
Balance at 31 March	131,850	117,161

b) Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for 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 7 on page 42 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2013-2014 £000	2012-2013 £000
Balance at 1 April	272,803	275,445
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	(26,770)	(21,044)
Amortisation of intangible assets	(66)	(62)
Revenue expenditure funded from capital under statute	(259)	(36)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(11,477)	(9,004)
	<u>(38,572)</u>	<u>(30,146)</u>
Adjusting amounts written out of the revaluation reserve	2,165	1,640
Net written out amount of the cost of non-current assets consumed in the year	<u>(36,407)</u>	<u>(28,506)</u>
<i>Capital financing applied in the year:</i>		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,094	7,271
Application of grants to capital financing from the capital grants unapplied account	1,553	711
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	10,042	9,191
Capital expenditure charged against the general fund and HRA balances	<u>10,578</u>	<u>8,691</u>
Balance at 31 March	267,663	272,803

c) 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.

	2013-2014 £000	2012- 2013 £000
Balance at 1 April	(14,140)	(14,589)
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	366	441
Fair value effective interest rate adjustment in line with statutory requirements	7	8
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	<u>373</u>	<u>449</u>
Balance at 31 March	(13,767)	(14,140)

d) Available for sale financial instrument reserve

The Available for Sale Financial Instruments 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

	2013-2014 £000	2012-2013 £000
Balance at 1 April	693	634
Upward/(downward) revaluation of investments	(39)	59
Balance at 31 March	654	693

e) Pension 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 employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013-2014 £000	2012-2013 £000 (restated)
Balance at 1 April	(116,054)	(89,461)
Re-measurement of the net defined benefit asset	(14,507)	(22,669)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(21,544)	(18,088)
Employer's pension contributions and direct payments	13,928	14,164
Balance at 31 March	(138,177)	(116,054)

f) Employee statutory mitigation account

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

	2013-2014 £000	2012-2013 £000
Balance at 1 April	(4,402)	(4,326)
Settlement or cancellation of accrual made at the end of the preceding year	4,402	4,326
Amounts accrued at the end of the current year	(4,073)	(4,402)
Balance at 31 March	(4,073)	(4,402)

Note 22 Cash flow statement – operating activities

The cash flows for operating activities include the following items:

	2013-2014 £000	2012-2013 £000
Interest received	(906)	(590)
Interest paid	14,302	13,972
Total cash and cash equivalents	13,396	13,382

Note 23 Cash flow statement – investing activities

	2013-2014	2012-2013
	£000	£000
Property, plant and equipment, investment property and intangible assets	30,497	17,067
Purchase of short term and long term investments	12,000	15,049
Other payments for investing activities	333	84
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,142)	(1,400)
Proceeds from short term and long term investments	(2,145)	(864)
Other receipts from investing activities	(9,094)	(7,271)
Net cash flows from investing activities	30,449	22,665

Note 24 Cash flow statement – financing activities

	2013-2014	2012-2013
	£000	£000
Cash receipts of short and long term borrowing	10,000	(10,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	201	178
Repayments of short and long term borrowing	1,369	2,578
Other payments for financing activities	135	135
Net cash flows from financing activities	11,705	(7,109)

Note 25 Amounts reported for resource allocation decisions

The standard service groups shown on the face of the Comprehensive Income and Expenditure Account are prescribed by the *Service Reporting Code of Practice* and are designed to make inter-authority comparisons more meaningful. These nation-wide generic groups do not reflect the local management of service delivery and budgetary responsibilities as determined by the Council.

The management of South Ayrshire Council was led by the Chief Executive. The operational structure of the Council is divided into the Chief Executive's Strategic Office, three service directorates plus the Miscellaneous Services Account which encompasses areas of expenditure that, due to their corporate nature, are not included within individual services' budgetary control responsibilities. Financial reports to management are prepared on a different basis from the accounting policies used in the Statement of Accounts.

2013-2014	Chief Executive's Strategic Office £000	Care, Learning & Wellbeing £000	Resources, Governance & Organisation £000	Economy, Neighbourhood & Environment £000	Miscellaneous Services £000	Total £000
Grants, fees, charges & other service income	(128)	(19,432)	(63,687)	(30,145)	(9,456)	(122,848)
Total Income	(128)	(19,432)	(63,687)	(30,145)	(9,456)	(122,848)
Employee expenses	470	90,150	19,342	35,152	1,568	146,682
Other service expenses	44	43,246	11,526	32,300	13,005	100,121
Payments to third parties	-	61,732	4,969	15,129	1,247	83,077
Transfer payments	-	925	38,117	13	-	39,055
Total Expenditure	514	196,053	73,954	82,594	15,820	368,935
Net expenditure	386	176,621	10,267	52,449	6,364	246,087

2012-2013 Comparative figures	Chief Executive's Strategic Office £000	Children and Community £000	Corporate Services £000	Development and Environment £000	Miscellaneous Services £000	Total £000
Grants, fees, charges & other service income	(962)	(26,878)	(60,824)	(41,851)	(18,933)	(149,448)
Total Income	(962)	(26,878)	(60,824)	(41,851)	(18,933)	(149,448)
Employee expenses	1,410	97,054	12,557	30,904	1,980	143,905
Other service expenses	234	46,835	5,989	37,037	28,544	118,639
Payments to third parties	1,669	60,790	227	15,325	13,109	91,120
Transfer payments	-	1,527	46,097	25	-	47,649
Total Expenditure	3,313	206,206	64,870	83,291	43,633	401,313
Net expenditure	2,351	179,328	4,046	41,440	24,700	251,865

During 2012-2013 the Council took the decision to restructure and re-name (as shown in the titles in the two tables above) the service directorates which took effect from 1 April 2013. The 2012-2013 comparator information has not been restated in to the new directorates as to do so would remove the ability to follow the information contained within the above tables back to source reports presented to Leadership Panel and Council during 2012-2013.

Reconciliation of Directorate Income and Expenditure to "Net Cost of Services" in the Comprehensive Income and Expenditure Statement

This table shows how the figures in the above analysis of Directorate Income and Expenditure reconcile to the amounts included in the Comprehensive Income and Expenditure Statement.

	31 March 2014 £000	31 March 2013 £000
Net expenditure in the Directorate Analysis	246,087	251,865
Amounts included in the analysis not included in the comprehensive Income and Expenditure Statement	(8,003)	(10,860)
Cost of Services in the Comprehensive Income and Expenditure Statement	238,084	241,005

This table shows how the figures in the analysis of Directorate income and expenditure reconcile to a subjective analysis of the "Surplus or Deficit on the Provision of Services" included in the Comprehensive Income and Expenditure Statement.

	Directorate Analysis £000	Amounts not included in Income and Expenditure £000	Cost of Services £000	Corporate amounts £000	Total £000
2013-2014					
Grants, fees, charges & other service income	(122,848)	(19,390)	(142,238)	-	(142,238)
Interest and investment Income	-	-	-	(590)	(590)
Income from council tax	-	-	-	(45,282)	(45,282)
Government grants and contributions	-	-	-	(209,000)	(209,000)
Total Income	(122,848)	(19,390)	(142,238)	(254,872)	(397,110)
Employee expenses	146,682	3,180	149,862	-	149,862
Other service expenses	100,121	8,027	108,148	-	108,148
Payments to third parties	83,077	88	83,165	-	83,165
Transfer payments	39,055	92	39,147	-	39,147
Interest Payments	-	-	-	14,517	14,517
Pension interest cost and expected return on pension assets	-	-	-	5,274	5,274
(Surplus) or deficit on Trading services	-	-	-	-	-
(Gain) or loss on the disposal of fixed assets	-	-	-	11,477	11,477
Total Expenditure	368,935	11,387	380,322	31,268	411,590
Surplus or deficit on the provision of services	246,087	(8,003)	238,084	(223,604)	14,480

	Directorate Analysis £000	Amounts not included in Income and Expenditure £000	Cost of Services £000	Corporate amounts £000	Total £000
2012-2013 Restated Comparative figures					
Grants, fees, charges & other service income	(149,448)	(10,384)	(159,832)	-	(159,832)
Interest and investment Income	-	-	-	(832)	(832)
Income from council tax	-	-	-	(53,946)	(53,946)
Government grants and contributions	-	-	-	(212,469)	(212,469)
Total Income	(149,448)	(10,384)	(159,832)	(267,247)	(427,079)
Employee expenses	143,905	(1,881)	142,024	-	142,024
Other service expenses	118,639	227	118,866	-	118,866
Payments to third parties	91,120	1,081	92,201	-	92,201
Transfer payments	47,649	97	47,746	-	47,746
Interest Payments	-	-	-	14,642	14,642
Pension interest cost and expected return on pension assets	-	-	-	4,408	4,408
(Surplus) or deficit on Trading services	-	-	-	(502)	(502)
(Gain) or loss on the disposal of fixed assets	-	-	-	8,414	8,414
Total Expenditure	401,313	(476)	400,837	26,962	427,799
Surplus or deficit on the provision of services	251,865	(10,860)	241,005	(240,285)	720

Note 26 Trading operations

Following a review of the options for the future delivery of repairs and maintenance services to Council owned buildings, in March 2012 it was decided that there would no longer be a requirement to operate a statutory trading account from 2013-2014 onwards. The following figures have been provided for prior year comparative purposes only.

Property, Maintenance and Construction Trading

	Turnover £000	Expenditure £000	Original (Surplus)/ Deficit £000	Apply interest on revenue and stock balances £000	Apply notional interest on assets held at loans fund interest rate £000	Revised (surplus)/ deficit £000
2010-2011	(11,253)	10,708	(545)	(3)	23	(525)
2011-2012	(10,189)	10,981	792	3	-	795
2012-2013	(10,124)	9,622	(502)	(1)	-	(503)
3 Year (surplus)/ deficit			(255)	(1)	23	(233)

Note 27 Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2013-2014 the Council collected and paid over £17.529m and received £0.317m for providing this service.

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2013-2014 the Council billed £35.746m on their behalf and received £39.642m in income from the Non-Domestic Rates pool.

Note 28 External audit cost

The Council has incurred costs of £0.272m in respect of fees payable to Audit Scotland with regard to external audit services carried out in 2013-2014 (£0.272m 2012-2013).

Note 29 Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013-2014:

	31 March 2014 £000	31 March 2013 £000
Credited to taxation and non-specific grant income		
Revenue support grant	159,631	167,509
Receipted capital income	9,727	8,118
Non-domestic Rates income	39,642	36,842
Council tax and community charge income	45,282	53,946
Total	254,282	266,415

	31 March 2014 £000	31 March 2013 £000
Credited to services		
Burns Festival	25	14
Contributions to Playgrounds	-	118
DWP	38,077	46,577
Education	1,104	771
EMA	25	25
Health Authorities	7	19
Leader	1,537	1,021
Low Carbon Vehicles	-	94
Modern Apprentices	189	196
NHS Alcohol & Drug Misuse	568	315
Other Grants and Contributions	148	102
Police	30	9,230
PSHG	722	859
Roads	-	-
School Milk	52	45
Social Work	2,253	2,840
Townscape Heritage Initiative	398	53
Food Waste	173	-
Total	45,308	62,279

The Council has received no grants which have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver.

Note 30 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.

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

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 2013-2014 are shown in the Remuneration Report. During 2013-2014 works and services to the value of £1.894m were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the Council's standing orders. During 2013-2014 grants and other payments totalling £0.372m were made to voluntary organisations wherein Members of the Council had an interest. Details of the transactions during 2013-2014 are available for any member of the public to view in the Council's offices at County Buildings, Ayr during normal working hours.

Officers of the Council – the Chief Executive, formerly the Executive Director – Resources, Governance and Organisation declared an interest in Freeport Scotland Ltd until taking up her new post on 23 May 2013.

During 2013-2014, the former Chief Executive declared a pecuniary interest in accordance with section 17 of the Local Government Act 1972 in Young Scot. In addition, he also declared membership of Scotland's 2020 Climate Group and was a board member of Scottish Community Development Centre in his capacity as a Solace Advisor. There were no grants paid during the year to 31 March 2014. The former Chief Executive left the Council on 22 May 2013.

The Head of Property & Risk has now taken up the position of replacement director in Freeport Scotland. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. The Head of Property & Risk was appointed by the Council as a director of the company and the Council has a 37% share in the company. A management fee of £0.074m and £0.011m ground lease income were received during 2013-2014.

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 £9.220m in 2013-2014. Two Councillors hold positions as non-executive directors of NHS Ayrshire & Arran Board; one as Vice-Chair.

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.

Ayr Renaissance - established by the Council as a separate arms 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 Council's Executive Director - Economy, Neighbourhood and Environment sits on the board along with three Council members and four private sector members. The organisations' running costs are met by the Council by way of an annual contribution, details of which are contained within the Group Accounts on pages 90-96.

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 Additional Financial Statements, Section 11 Trust funds on pages 86 to 89.

Note 31 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 2014		31 March 2013
	£000	£000	£000
Opening capital financing requirement		249,796	258,560
Capital investment			
Property, plant & equipment	28,250		17,664
Equipment funded through finance lease	1,885		-
Intangible assets	-		108
		30,135	17,772
Sources of finance			
Capital Receipts		(1,731)	(811)
Government grant and other contributions		(10,057)	(7,963)
Capital funded from current revenue		(10,312)	(8,571)
Repayment of PPP/finance lease		(3,255)	(2,580)
Loans fund principal repayments		(7,294)	(6,611)
Closing capital financing requirement		247,282	249,796
Explanation of movements during the year			
Increase/(reduction) in the underlying need to borrow		(1,144)	(6,184)
Increase/(decrease) in finance lease obligations		753	(310)
Increase/(decrease) in PPP finance lease creditor		(2,123)	(2,270)
Increase/(decrease) in capital financing requirement		(2,514)	(8,764)

Note 32 Leases**Authority as Lessee****Finance leases**

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

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net book values:

	31 March 2014 £000	31 March 2013 £000
Property, plant and equipment	<u>2,996</u>	<u>2,247</u>

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

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	315	304
Non Current	2,736	1,993
Finance costs payable in future years	<u>116</u>	<u>155</u>
Minimum lease payments	<u>3,167</u>	<u>2,452</u>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
No later than one year	348	343	315	304
Later than one year and not later than five years	878	1,082	810	991
Later than five years	<u>1,941</u>	<u>1,027</u>	<u>1,927</u>	<u>1,002</u>
	<u>3,167</u>	<u>2,452</u>	<u>3,052</u>	<u>2,297</u>

Operating leases

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

	31 March 2014 £000	31 March 2013 £000
No later than one year	228	302
Later than one year and not later than five years	<u>576</u>	<u>714</u>
	<u>804</u>	<u>1,016</u>

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 2014 £000	31 March 2013 £000
Minimum lease payments	<u>1,409</u>	<u>1,383</u>
	<u>1,409</u>	<u>1,383</u>

Authority as lessor**Finance leases**

The Council has not entered into any finance lease arrangements.

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 2014	31 March 2013
	£000	£000
No later than one year	836	831
Later than one year and not later than five years	1,298	1,288
Later than five years	10,512	10,702
	12,646	12,821

Note 33 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.

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 9 Property, Plant and Equipment on page 46.

Remaining payments under the agreement

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 PPP contract at 31 March 2014 (assuming an average inflation rate of 2.50% and excluding any estimation of availability and performance deductions) are as follows:

	Payment of services £000	Reimbursement of capital expenditure £000	Interest £000	Total £000
Payable within one year	3,467	1,985	4,598	10,050
Payable within two to five years	14,223	9,016	18,812	42,051
Payable within six to ten years	22,878	10,653	23,455	56,986
Payable within eleven to fifteen years	27,441	11,393	23,496	62,330
Payable within sixteen to twenty years	33,346	11,907	22,926	68,179
Payable within twenty one to twenty five years	31,833	17,428	25,320	74,581
Payable within twenty six to thirty years	2,207	1,906	2,432	6,545
Total	135,395	64,288	121,039	320,722

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:

	2013-2014	2012-2013
	£000	£000
Balance outstanding at start of year	66,411	68,681
Increases/(reductions) during the year	(2,123)	(2,270)
Balance outstanding at year end	64,288	66,411

Note 34 Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2013-2014, incurring liabilities of £1.016m (£0.570m 2012-2013). This total is payable to 92 officers from the following directorates:

Number	Directorate
25	Care, Learning and Wellbeing Directorate
51	Economy, Neighbourhood and Environment
16	Resources, Governance and Organisation

All employees accepted terms of a voluntary package as part of the Council's rationalisation prior to the financial year end or retired on the grounds of ill health.

Note 35 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 in the West of Scotland 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 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.

Benefits

It is a defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.

The pension's accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable services. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.) 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 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Governance

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

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

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

Principal Risks

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

Discretionary Post-employment Benefits

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

Transactions Relating to Post-employment Benefits

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

The following transactions have been made in the accounting statements in 2013-2014 and the prior year 2012-2013.

	2013-2014	2012-2013
	£000	£000
Comprehensive Income and expenditure Statement (CIES)		
Cost of Services:		
<i>Service cost comprising</i>		
Current service cost	15,780	12,500
Past service cost (including curtailments)	490	1,180
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense/(income)	5,274	4,408
Total Post-employment benefit charged to the surplus or deficit on the Provision of Services	21,544	18,088
Other Post-employment Benefits charged to the CIES:		
<i>Re-measurement of the net defined benefit liability comprising</i>		
Return on the plan assets	(11,281)	(44,326)
Actuarial gains and losses arising on changes in financial assumptions	25,826	66,918
Other	(38)	79
Total post-employment benefit charged to the CIES	36,051	40,759
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	(22,123)	(26,595)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contribution payable to the scheme	13,928	14,164

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2013-2014	2012-2013
	£000	£000
Present value of the defined benefit obligation: funded	(644,316)	(589,896)
Present value of the defined benefit obligation: unfunded	(32,066)	(31,485)
Fair value of pension fund assets	538,205	505,327
Net Liability arising from Defined Benefit Obligations	(138,177)	(116,054)

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

	2013-2014	2012-2013
	£000	£000
Opening balance at 1 April	621,383	531,177
Current Service Cost	15,780	12,500
Past Service Cost	490	1,180
Interest Cost	27,989	25,444
Contributions by scheme participants	3,781	3,804
<i>Re-measurement gains and (losses):</i>		
Actuarial Losses /(Gains) arising from changes in financial assumptions	25,826	66,918
Other losses/(gains)	(38)	79
Benefits Paid	(16,981)	(17,869)
Unfunded Benefits Paid	(1,846)	(1,850)
Closing balance at 31 March	676,384	621,383

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

	2013-2014	2012-2013
	£000	£000
Opening fair value of the scheme assets	505,327	441,716
Interest Income	22,715	21,036
<i>Re-measurement gains and (losses):</i>		
Return on the plan assets	11,281	44,326
Contributions from employers	12,082	12,314
Contributions from employees in the scheme	3,781	3,804
Benefits paid	(16,981)	(17,869)
Closing fair value of the scheme assets	538,205	505,327

Analysis of Pension Fund assets

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

At 31 March 2014

Asset Category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2013-2014 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	49,570	9	49,579
Manufacturing	43,180	374	43,554
Energy and utilities	19,711	-	19,711
Financial institutions	36,010	-	36,010
Healthcare	18,444	13	18,457
Information technology	29,310	18	29,328
Sub-total equity	196,225	414	196,639
Debt securities (Corporate Bonds non-investment grade)	-	4	4
Private equity	-	50,760	50,760
Real estate (UK Property)	-	37,703	37,703
Investment funds and unit trusts:			
Equities	13,109	150,704	163,813
Bonds	-	62,456	62,456
Commodities	213	-	213
Infrastructure	-	763	763
Other	-	1	1
Sub-total investment funds and unit trusts	13,322	213,924	227,246
Derivatives (other)	114	-	114
Cash and cash equivalents (all)	-	25,740	25,740
Totals	209,661	328,545	538,206

At 31 March 2013

Asset Category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2012-2013 Total £000
Cash and cash equivalents			
Equity instruments:			
Consumer	44,090	42	44,132
Manufacturing	40,460	79	40,539
Energy and utilities	20,620	0	20,620
Financial institutions	34,572	41	34,613
Healthcare	18,341	13	18,354
Information technology	25,289	28	25,317
Sub-total equity	183,372	203	183,575
Debt securities (Corporate Bonds non-investment grade)	-	2	2
Private equity	-	48,790	48,790
Real estate (UK Property)	-	32,415	32,415
Investment funds and unit trusts:			
Equities	13,455	140,477	153,932
Bonds	-	68,070	68,070
Commodities	307	-	307
Infrastructure	-	-	-
Other	-	1	1
Sub-total investment funds and unit trusts	13,762	208,548	222,310
Derivatives (other)	(88)	-	(88)
Cash and cash equivalents (all)	-	18,324	18,324
Totals	197,046	308,282	505,328

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 funds liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2011. The significant assumptions used by the actuary have been:

	2013-2014	2012-2013
Mortality assumptions:		
Longevity at 65 for current pensioners		
Male	21	21
Female	23.4	23.4
Longevity at 65 for future pensioners		
Male	23.3	23.3
Female	25.3	25.3
Financial assumptions:		
Rate of inflation/pension increase rate	2.80%	2.80%
Rate of increase in salaries	5.10%	5.10%
Expected return on assets	4.50%	4.30%
Rate for discounting scheme liabilities	4.50%	4.30%

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

Change in assumption at 31 March 2014	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	12%	80,169
1 year increase in member life expectancy	3%	19,990
0.5% increase in the salary increase rate	5%	34,248
0.5% increase in the pension increase rate	8%	54,449

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 equities [76%] and bonds [12%]. The comparative year's figures are 77% and 13%. The scheme also invests in properties [7%] and in cash [5%]. The ALM strategy is monitored annually or more frequently if necessary.

Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employer's contributions have been set at 19.3% for 2014-2015 based on the last triennial valuation completed on 31 March 2011.

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average re-valued earning scheme (CARE) for future accruals.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2015 is £11.804 million.

The weighted average duration of the defined benefit obligation for Fund members is 18 years (This is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

Change in Accounting Policy IAS19

South Ayrshire Council implemented a change of accounting policy with effect from 2013-2014 financial year relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The key change relates to the expected return on assets. In order to permit a meaningful comparison between financial years, some figures in the previous year's audited financial statements have been amended.

There has been a redistribution of costs within the CIES. The pensions interest cost within the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Essentially, the expected return on scheme assets that was credited to the Surplus or Deficit on the Provision of Services has been effectively replaced with an equivalent figure using the discount rate.

The effects of the restatement on the financial statements are as follows (only those lines that have changed are shown):

Effect on Comprehensive Income and Expenditure Statement

CIES	As Previously Stated 2012-2013 £000	As Restated 2012-2013 £000	Movement 2012-2013 £000
Financing and investment income and expenditure			
Pension interest cost and expected return on pension assets	(125)	4,408	4,533
(Surplus) or deficit on the provision of services	(3,813)	720	4,533
Actuarial (gains) or losses on pension fund assets and liabilities	27,202	22,669	(4,533)
Other comprehensive income and expenditure	26,101	21,568	(4,533)

Movement in Reserves Statement – Usable Reserves 2012-2013

General fund balance	As Previously Stated 2012-2013 £000	As Restated 2012-2013 £000	Movement 2012-2013 £000
(Surplus) or deficit on the provision of services	3,813	(720)	(4,533)
Total comprehensive expenditure and income	2,612	(1,921)	(4,533)
Adjustments between accounting basis and funding basis under regulations	3,298	7,831	4,533

Movement in reserves statement – unusable reserves 2012-2013

Unusable reserves	As Previously Stated 2012-2013 £000	As Restated 2012-2013 £000	Movement 2012-2013 £000
Other comprehensive expenditure & income	(24,900)	(20,367)	4,533
Total comprehensive expenditure & income	(24,900)	(20,367)	4,533
Adjustments between accounting basis and funding basis under regulations	(3,298)	(7,831)	(4,533)

Note 36 Pensions schemes accounted for as a defined contribution schemes

Teachers employed by the Council are members of the Teachers Superannuation Scheme, administered by the Scottish Public Pension Agency. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The scheme is not able to identify each individual body's share of the underlying liabilities on a consistent and reasonable basis and as such this is accounted for as if it were a defined contribution scheme with service revenue accounts charged with contributions payable in the year by the Council.

During 2013-2014 the employer's contribution was set at 14.9% (14.9% in 2012-2013) of the employee's contribution rate. The Council paid £6.264m (£6.169m 2012-2013) for employer's contributions.

Note 37 Contingent assets and liabilities

The Council has received three potential insurance claims during 2013-2014. It is recognised that the Council has a potential liability which may require to be met if the claims are successful and as such has agreed to meet any liability from uncommitted reserves if required.

In addition to the £5.327m provision made in the financial statements for employee related claims, the Council recognises a contingent liability in relation to other employee related grievances and the potential costs that may arise as a result of further claims being pursued against the Council. The position in respect of these potential claims is still subject to a high degree of uncertainty and it is not clear that either an obligation or their value can be reliably established at this time.

The Council is a member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at 31 March 2014 the Council's involvement stands at £1.597m and in the event of the fund being wound up, a contingent liability of £0.188m exists in respect of European Regional Development Fund grants and £0.131m in respect of Ayrshire Loan Fund.

The Council currently has two contractual claims pending. The first relates to a claim against the Council for damages relating to trading losses which is currently being dealt with through the Sheriff Court, therefore the Council recognises that a contingent liability exists pending the outcome of the legal process. The second relates to a claim by the Council for amounts owed by a contractor. The contractor has made a lesser counter claim against the Council. This is currently being dealt with through arbitration and therefore the Council recognises that a net contingent asset exists pending the outcome of the arbitration process. The Council will continue to review on an individual case basis for liabilities that arise as the legal process progresses.

Note 38 Scheme of delegation for schools

The Council approved a revised Scheme of Delegation for Schools on 14 June 2011. The scheme supports the development planning and improvement agenda by providing for the carry-forward of individual school budget surpluses or deficits. As detailed in the Foreword by the Head of Finance and ICT on pages 1 to 9, funds totalling £5.946m have been earmarked by directorates to be spent in 2014-2015, of which £0.299m relates to schools.

Note 39 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

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 and the investment guidance (regulations – Scotland).

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 reporting
- 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 maximum and minimum exposures to the maturity profile of its debt
 - (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 investment regulations.

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 instrument exposure. Actual treasury performance is also reported quarterly throughout the financial year.

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

Credit risk

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 & Poors, 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 its treasury advisors Capita Asset Services. 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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by South Ayrshire Council.

The Council's maximum exposure to credit risk in relation to its cash investments in banks and building societies of £54.800m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2014 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 Council's gross debtor (excluding council tax, community charge and non-domestic rate income) was £22.541m against which a provision of £5.008m 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 uncollectability. In terms of financial modelling a 1% increase in the allowance would lead to an additional cost to the Council of £0.225m.

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 Council does not generally allow credit for customers, such that £6.117m of the £22.541m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2014 £000	31 March 2013 £000
Less than three months	1,014	1,879
Three to six months	306	380
Six months to one year	2,105	1,722
More than one year	2,692	1,886
	6,117	5,867

Collateral

South Ayrshire Council has in the past provided loans to residents who have bought their homes under "right to buy" legislation. In such cases the Council takes a standard security over the property. As at 31 March 2014 the outstanding value of loans advanced by the Council was £0.063m

Icelandic bank deposit – During October 2008 the Icelandic banks, Landsbanki Islands hf, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had two deposits of £3.000m and £2.000m deposited with Landsbanki (LBI). In January 2014 the remaining claims held by the Council were sold through a competitive auction process along with those of a number of other UK local authorities. South Ayrshire is now no longer a creditor of LBI and therefore the exposure to risk has been removed.

Liquidity & Re-Financing Risk

The Council's main source of borrowing is HM Treasury's Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments and has ready access to short term borrowings from money markets to cover any day to day cash flow needs. The Council has safeguards in place to ensure that a significant part 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 when interest rates are unfavourable and that no more than 25% of loans are due to mature within any financial year.

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 maturity analysis of the principal element of borrowing is as follows

	Maturity limit %	Maturing debt %	Actual 31 March 2014 £000	Actual 31 March 2013 £000
Less than one year	25	2.24	4,066	10,136
Between one and two years	25	3.78	6,851	4,066
Between two and five years	50	11.96	21,688	20,903
Between five and ten years	75	6.62	11,992	8,903
More than ten years	90	75.40	136,665	142,389
			181,262	186,397

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, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. 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

To illustrate the financial impact of interest changes on the Council, the following tables show the financial effect if interest rates had been 1% higher at 31 March 2014. The impact of a 1% fall in interest rates would be the same but with the movements being reversed.

	Actual 31st March 2014 £000	Actual 31st March 2013 £000
Increase in interest payable on variable rate borrowings	306	482
Increase in interest receivable on variable rate investments	(295)	(210)
	11	272

	Actual 31st March 2014 £000	Actual 31st March 2013 £000
Decrease in "fair value" of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	23,180	25,571

Price risk

The Council does not generally invest in equity shares but does have a shareholding to the value of £0.654m 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 share-holding 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 £0.654m shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure

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.

Note 40 Heritage Assets – Information on the museums' collections*Museum and Art Gallery Collections*

The collections of the Rozelle House and McKechnie Institute museums and art galleries form the major part of the heritage assets held by the Council.

Existing collections consist of fine arts, history of science, archaeology, coins, culture, domestic life, decorative & applied art, industry & commerce, photography, natural sciences, maritime, society, transport, warfare & defence, weapons & accessories and world culture.

The fine arts collection is one of the largest held by the Museums and Galleries Service. It is made up from the collections of the former Burgh of Prestwick, Maybole, Girvan, Troon and the Royal Burgh of Ayr. These collections are made up from individual purchases and gifts or bequests from local people. These major bequests include work bequeathed by Allan Forest Stark, Dr McGregor, G.B. Dunlop, R.C. Roy, Richard Edmiston Senior and Junior, Thomas Davidson, William McDowall and William Bell Scott Valentine.

There is a considerable proportion of the collection which is made up of local scenes of work by local artists. In particular there is a group of works by Robert Bryden, William Bell Scott Valentine and original artists of the Ayr Sketch Club. There is also a considerable number of pieces relating to various artists, and in particular pieces relating to Robert Burns, including some 200 un-researched pieces, which formed part of the Tam O'Shanter museum collection and 54 works of 'Tam O'Shanter' by the artist Alexander Goudie.

The photography collection includes artistic photography, historic studio portrait photography and images of historic events, and are held throughout various locations across South Ayrshire including Carnegie Library, the Museums and Galleries Service and the Ayrshire Archives Centre.

A number of local interest pieces are included in the various collections, including Robert Burns related literature and a significant collection of formal regalia from the old Burghs of Troon, Prestwick, Maybole, Girvan and the Royal Burgh of Ayr. A considerable amount of the ceramic ware has images of Robert Burns themes or local scenes.

Civic regalia and other civil affects

The civic regalia are the chains and pendants of office of the Provost and the Deputy Provost. The Provost, who is the figurative and ceremonial head of the Council, wears the gold chain and pendant of office at meetings of the full Council and other appropriate civic and ceremonial events. Other civic effects consist of robes and a number of ornaments. The civic regalia & effects not worn are held securely in the Council buildings.

Preservation and management

Assets are collated, preserved and managed in accordance with professional museum guidelines and the Museum Accreditation Standard. The Executive Director of Economy, Neighbourhood and Environment is responsible for making arrangements for the proper administration of the museum collections. The professional officer in charge of the collections is the Museum and Galleries Co-ordinator, under the direction of the Sport, Leisure, Arts and Culture Manager.

Section 7: Housing Revenue Account

I) Movement on the HRA statement

Restated 2012-2013 £000		2013-2014 £000
(15,714)	Balance on the HRA at the end of the previous year	(14,590)
8,485	(Surplus) or deficit for the year on the HRA income and Expenditure Statement	10,251
	Adjustments between accounting basis and funding basis under statute	
(9,337)	Depreciation and impairment of non-current assets	(9,977)
573	Capital grants and contributions credited to the comprehensive income and expenditure statement	661
(7,486)	Net gain or loss on sale of non-current assets	(11,017)
144	Amount by which finance costs calculated in accordance with <i>The Code</i> are different from the amount of finance costs calculated in accordance with statutory requirements	121
(138)	Amount by which pension costs calculated in accordance with <i>The Code</i> (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	(164)
809	Statutory Repayment of Debt (Loans Fund Advances)	1,236
8,072	Capital expenditure charged to the HRA balance (CFCR)	10,020
2	Net transfer to or from earmarked reserves required by legislation	14
(7,361)		(9,106)
1,124	(Increase) or decrease in HRA balance	1,145
(14,590)	Balance on the HRA at the end of the current year	(13,445)

II) Comprehensive HRA income and expenditure account

Restated 2012-2013 £000		2013-2014 £000
	Expenditure	
9,828	Repairs and maintenance	8,078
4,813	Supervision and management	5,158
9,337	Depreciation and impairment fixed assets	9,977
376	Other expenditure	585
251	Increase in bad debt provision	405
24,605	Total expenditure	24,203
	Income	
(25,851)	Dwelling rents	(27,125)
(358)	Non dwelling rents	(407)
(66)	Other income	(51)
(26,275)	Total income	(27,583)
(1,670)	Net cost of HRA Services as included in the Council comprehensive income and expenditure statement	(3,380)
148	HRA share of Corporate and Democratic Core	110
(1,522)	Net cost of HRA Service	(3,270)
	Other Operating Expenditure	
7,486	(Gain) or loss on sale of HRA non-current assets	11,017
3,200	Interest payable and similar charges	3,203
(254)	Interest and investment income	(151)
148	Net interest on the net defined benefit liability	113
(573)	Non specific grant income	(661)
8,485	Deficit for the year on HRA services	10,251

Notes to the housing revenue account

Note 1 Provisions

A provision of £0.780m (£0.445m 2012-2013) is included in the Balance Sheet for doubtful debts on housing rents.

Note 2 Accommodation

At 31 March 2014, the Council held various types of accommodation and had the following number and types of houses:

31 March 2013		31 March 2014	
Number of houses	Type of accommodation	Number of houses	
2,473	One and two apartment	2,482	
3,587	Three apartment	3,490	
2,010	Four apartment	2,001	
165	Five or more apartment	165	
8,235		8,138	

31 March 2013		31 March 2014	
Number of houses	By area	Number of houses	
4,763	Ayr	4,687	
1,002	Troon	1,000	
721	Prestwick	718	
768	Maybole	763	
981	Girvan	970	
8,235		8,138	

Note 3 Rent arrears

At 31 March 2014, rent arrears amounted to £1.080m (2012-2013 £0.685m), being 3.74% (2012-2013 3.10%) of gross rent collectable.

Note 4 HRA Surplus/(deficit)

The deficit for the year of £1.145m, when added to the surplus brought forward from 2012-2013 of £14.590m, results in an accumulated surplus of £13.445m at 31 March 2014, of which £12.862m is required to fund specific capital and revenue expenditure in future years. This leaves a balance of £0.583m which will be held as a contingency for future unexpected or emergency situations.

Note 5 Void property lost revenue

The rental income lost due to void properties amounted to £0.644m in 2013-2014 (2012-2013 £0.556m).

Section 8: Collection of Council Tax and Community Charge

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

Council tax income account

2012-2013 £'000		2013-2014 £'000
62,763	Gross council tax levied and contributions in lieu	63,037
	Deduct :	
(3)	Council tax benefits/reduction (net of government grants)	(8,841)
(7,613)	Other discounts and reductions	(7,614)
(1,167)	Write off of uncollectable debts and allowances for impairment	(1,194)
53,980	In year council tax income	45,388
(37)	Adjustment to previous years' council tax and community charge	(109)
53,943	Transfer to General Fund	45,279

Notes to the council tax and community charge income account

Note 1 Council tax income

Council tax is based on the value of a domestic property, together with a personal element which takes into account 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 value as at 1 April 1993. 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 are fewer than 2 residents of a property. Discounts of 50 per cent are made for unoccupied property. Persons in detention, students, people with mental disabilities etc are disregarded for council tax purposes. Reductions in council tax payable are also granted for disabled people.

The valuation bands, and the factors used in calculating the council tax payable for each valuation band, are set out below:

Valuation band	Property valuation range	Fractions
A	£0 - £27,000	6/9
B	£27,001 - £35,000	7/9
C	£35,001 - £45,000	8/9
D	£45,001 - £58,000	9/9
E	£58,001 - £80,000	11/9
F	£80,001 - £106,000	13/9
G	£106,001 - £212,000	15/9
H	Over £212,000	18/9

Councils can vary the rate of council tax discount for unoccupied homes with their area in accordance with the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2004. The Council has agreed to grant a discount of 25 per cent to second homes and long term empty properties from 1 September 2005, previously the discount awarded was 50 per cent and from 1 April 2011 the discount has been set at 10 per cent. The additional council tax income collected due to the reduced level of discount requires to be transferred for the provision of new-build, affordable social housing in areas determined by the Council.

Following the introduction in 2013-2014 of the Council Tax Reduction Scheme as part of welfare reform, council tax benefit subsidy was replaced by additional general revenue grant funding. This is shown in the council tax income account (above) as an increase in the council tax benefits (net of government grants) figure. The cost to the Council of the Council Tax Reduction Scheme in 2013-2014 was £8.747m.

Additional income of £1.324m is included within the general fund and earmarked for use in relation to the affordable homes strategy.

Note 2 Calculation of the council tax charge base 2013-2014

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
Total number of properties	7,439	12,571	8,762	8,376	9,396	4,626	2,886	276	54,332
Less exemptions/deductions	357	378	280	174	144	55	33	5	1,426
Less adjustment for single discount	1,006	1,320	883	684	646	250	123	6	4,918
Less adjustment for double discount	72	111	92	88	94	48	30	7	542
Effective number of properties	6,004	10,762	7,507	7,430	8,512	4,273	2,700	258	47,446
Band D equivalent factor (D)	6	7	8	9	11	13	15	18	~
Band D equivalent number of properties	4,001	8,370	6,673	7,430	10,404	6,172	4,500	516	48,066
Class 17 & 24 dwellings	-	-	-	9	-	-	-	-	9
Total	4,001	8,370	6,673	7,439	10,404	6,172	4,500	516	48,075
Less provision for non-collection 2.5 per cent									1,202
Council tax base 2013-2014 (equivalent to a Band D council tax of £1,153.95)									46,873

Note 3 Council tax properties and council tax charges

	Valuation band								Total
	A	B	C	D	E	F	G	H	
Number of chargeable properties	6,004	10,762	7,507	7,439	8,512	4,273	2,700	258	47,455
Total council tax charge	£769.30	£897.52	£1,025.73	£1,153.95	£1,410.38	£1,666.82	£1,923.25	£2,307.90	

Note 4 Community Charge - Years prior to 31 March 1993

	31 March 2014 £000	31 March 2013 £000
Arrears written off now recovered	3	3

Section 9: Non-Domestic Rate Income 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.

2012-2013		2013-2014
£000		£000
50,144	Gross charge	51,692
	Deduct :	
(10,673)	Reliefs and remissions	(11,668)
(789)	Provision of bad debts	(801)
38,682	Non domestic rate income	39,223
(1,094)	Prior year adjustments	(3,477)
37,588	Total non-domestic rate income	35,746
	National non-domestic rate pool (NNDRP):	
36,842	NDRI distributable	39,642
(37,588)	Contribution to/(from) NNDRP	(35,746)
(746)		3,896

Notes to the non-domestic rate income account

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 2013-2014

Commercial subjects	Number	Rateable value £000
Shops	1,385	36,850
Public houses	115	3,244
Offices (Including banks)	730	11,015
Hotels, boarding houses, etc.	92	4,329
Industrial and freight transport subjects	915	17,065
Leisure, entertainment caravans and holiday sites	502	5,800
Garages and petrol stations	94	1,303
Cultural	30	526
Sporting subjects	149	621
Education and training	70	9,094
Public service subjects	185	5,367
Communications (non formula)	2	61
Quarries, mines etc.	8	395
Petrochemical	4	63
Religious	89	1,066
Health medical	93	4,099
Other	177	1,111
Care facilities	54	2,517
Advertising	38	77
Undertaking	26	2,683
Total all subjects	4,758	107,286

Rate levied 2013-2014: Rateable value greater than £35,000	47.10p
Rateable value less than or equal to £35,000	46.20p

Section 10: Common Good

The Common Good fund was inherited by South Ayrshire Council from Kyle and Carrick District Council following the 1996 local government re-organisation. The fund comprises five distinct sub-funds; Ayr, Troon, Prestwick, Maybole and Girvan. The Council controls 100 per cent 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.

I) Movement in reserves statement for the year ended

2013-2014

	Revenue Reserve	Capital receipts reserve	Total usable reserve	Revaluation Reserve	Available for sale financial instruments reserve	Total Unusable reserve	Total reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013	901	2,299	3,200	15,716	6	15,722	18,922
Movement in reserves during 2013-2014							
Surplus or (deficit) on the provision of services	(1)	-	(1)	-	-	-	(1)
Other comprehensive income and expenditure	-	(267)	(267)	423	-	423	156
Increase/(decrease) in 2013-2014	(1)	(267)	(268)	423	-	423	155
Balance at 31 March 2014	900	2,032	2,932	16,139	6	16,145	19,077

2012-2013

	Revenue Reserve	Capital receipts reserve	Total usable reserve	Revaluation Reserve	Available for sale financial instruments reserve	Total Unusable reserve	Total reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012	934	2,809	3,743	15,801	6	15,807	19,550
Movement in reserves during 2012-2013							
Surplus or (deficit) on the provision of services	(33)	-	(33)	-	-	-	(33)
Other comprehensive income and expenditure	-	(510)	(510)	(85)	-	(85)	(595)
Increase/(decrease) in 2012-2013	(33)	(510)	(543)	(85)	-	(85)	(628)
Balance at 31 March 2013	901	2,299	3,200	15,716	6	15,722	18,922

II) Income and expenditure account

2012-2013		Ayr	Troon	Prestwick	Maybole	Girvan	2013-2014
£000		£000	£000	£000	£000	£000	£000
	Expenditure						
681	Property costs	565	-	30	-	42	637
49	Donations and contributions	-	-	1	-	-	1
49	Other expenditure	54	-	-	-	-	54
779		619	-	31	-	42	692
	Income						
621	Rents	593	-	22	-	-	615
49	Interest on loans	23	-	3	-	-	26
76	Other income	8	-	-	-	42	50
746		624	-	25	-	42	691
(33)	Surplus/(deficit) for year	5	-	(6)	-	-	(1)
934	Surplus brought forward	575	34	287	2	3	901
901	Accumulated surplus	580	34	281	2	3	900

III) Balance sheet as at 31 March 2014

2012-2013		2013-2014
£000		£000
15,923	Long-term assets	16,346
52	Long term investments	96
52	Total long term investment	96
	Current assets	
2	Inventory	2
2,953	Loans fund investment	2,672
2,955		2,674
18,930	Total assets	19,116
	Less: current liabilities	
(8)	Creditors	(39)
18,922	Total assets less liabilities	19,077
	Financed by:	
901	Revenue reserve	900
2,299	Usable capital receipts reserve	2,032
6	Available for sale financial instruments reserve	6
15,716	Revaluation Reserve	16,139
18,922	Total reserves	19,077

Notes to Common Good Account

Note 1 Valuation of fixed assets

Property valuations were carried out by RICS professional staff within the Council's Directorate of Resources, Governance and Organisation and are at valuation dates between 2008-2009 and 2013-2014, dependent on the category of asset.

Note 2 Movement in fixed assets

2013-2014 Movements

	Gross book value at 1 April 2013	Additions	Revaluations and impairments	Disposals	Gross book value at 31 March 2014
	£000	£000	£000	£000	£000
Land					
Ayr	3,947	-	461	(15)	4,393
Prestwick	366	-	37	-	403
Troon	-	-	2	-	2
Girvan	51	-	-	-	51
Total land	4,364	-	500	(15)	4,849
Buildings					
Ayr	10,990	-	-	(50)	10,940
Prestwick	296	-	-	-	296
Troon	15	-	(12)	-	3
Girvan	7	-	-	-	7
Total buildings	11,308	-	(12)	(50)	11,246
Community assets					
Ayr	251	-	-	-	251
Total community assets	251	-	-	-	251
Total common good assets	15,923	-	488	(65)	16,346

In accordance with the Council's accounting policies no depreciation is charged on Common Good assets, as they comprise land, investment buildings and community assets.

Note 3 Usable capital receipts reserve

This reserve represents the proceeds of disposals of Common Good assets less any capital expenditure.

Note 4 Revaluation reserve

This represents the difference between the costs of fixed assets and the valuations adjusted for disposals.

Section 11: Trust Funds

At the start of 2013-2014 the Council administered 74 trust funds and bequests from local benefactors from which payments were made for specified purposes. During the year one trust fund was added resulting in a total of 75 trusts and bequests being held during 2013-2014.

The following tables detail the trusts for which the Council has sole trustee responsibility and are further analysed on pages 87 and 88.

During 2013-14 a review was undertaken which required a reclassification of income and removal of trusts where South Ayrshire Council does not exercise sole control. The 2012-13 prior year comparators have been restated accordingly.

*Restated 2012-2013 £000	Revenue accounts	Registered charitable trusts £000	Other trusts £000	2013-2014 £000
781	Opening balance	381	423	804
38	Income for year	4	8	12
(15)	Expenditure during year	(8)	(5)	(13)
804	Closing balance	377	426	803

*The following table details the movement in the restated 2012-2013 revenue account balances.

Revenue Accounts	Reported 2012-2013 £000	Restated 2012-2013 £000	Movement £000
Balance at 1 April 2012	823	781	(42)
Income for the year	49	38	(11)
Expenditure during the year	(15)	(15)	-
Restated balance at 1st April 2013	857	804	(53)

**Restated 2012-2013 £000	Balance sheet as at 31 March	Registered charitable trusts £000	Other trusts £000	2013-2014 £000
Assets				
93	Investments	19	75	94
1,006	Current assets - temporary deposit in loans fund	528	477	1,005
1,099	Total assets	547	552	1,099
Reserves				
804	Revenue	377	426	803
24	Available for sale financial instrument reserve	-	25	25
271	Capital	170	101	271
1,099	Total reserves	547	552	1,099

**The following table details the movement in the restated 2012-13 Balance Sheet.

	Reported 2012-2013 £000	Restated 2012-2013 £000	Movement £000
Assets			
Investments	95	93	(2)
Current assets - temporary deposit in loans fund	1,051	1,006	(45)
Total assets	1,146	1,099	(47)
Reserves			
Revenue	857	804	(53)
Available for sale financial instrument reserve	24	24	-
Capital	265	271	6
Total reserves	1,146	1,099	(47)

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2014, split between those trusts with charitable status and those without.

Charitable Trusts

Name	Original Purpose	Loans Fund Investment	External Investment	Total
		£000	£000	£000
Mary & Hugh Reid Trust (SC014448)	Relief of respected aged persons in reduced circumstances resident in Prestwick who are not in receipt of public assistance	47	-	47
R H Smith Trust (SC022120)	Annuities to deserving unmarried women residing in Ayr, preferably those with no father or brother alive to support them	370	-	370
McClymont Trust (SC008495)	Annual income to be used to maintain specific graves and Clachar fountain in Girvan	31	12	43
Various	6 Charitable Trusts with a closing balance of less than £25,000	80	7	87
Total Charitable Trust		528	19	547

Non Charitable Trusts

Name	Original Purpose	Loans Fund Investment	External Investment	Total
		£000	£000	£000
Ayr Nursing Trust Fund	Benefit of sick, aged and infirm resident within Ayr, receiving attention from nurse employed by local health authority and recommended by nurse.	26	-	26
Dr Andrew R Rennie Bequest	To provide money to former functions of Strathclyde Regional Council	81	-	81
George Todd Memorial Hall	Money to be spent (in Dailly) as per Sheriff Court Judgement	27	-	27
John McMaster Bursary Fund	Bursaries for pupils of Girvan Academy to attend Glasgow or Edinburgh University for three to five years as per conditions of scheme	188	62	250
Sundry Mortifications	Maintenance of lairs in perpetuity	40	2	42
Various	53 Non Charitable Trusts with a closing Balance of less than £25,000	115	11	126
Total Non Charitable Trust		477	75	552
Total Trusts		1,005	94	1,099

The table below provides a reconciliation of the in year movement on each of the investments held by the various Trusts, split between those Trusts with charitable status and those without.

Charitable Trusts

Capital and Revenue	***Restated Opening Balance 1 April 2013		Income in Year		Expenditure in Year		31 March 2014		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Total
Mary & Hugh Reid Trust (SC014448)	23	25	-	-	-	1	23	24	47
R H Smith Trust (SC022120)	97	274	-	3	-	4	97	273	370
McClymont Trust (SC008495)	33	11	-	-	-	1	33	10	43
6 Charitable Trusts with a closing Balance of less than £25,000	17	71	-	1	-	2	17	70	87
Total Charitable Trust	170	381	-	4	-	8	170	377	547

Non Charitable Trusts

Capital and Revenue	Opening Balance 1 April 2013		Income in Year		Expenditure in Year		31 March 2014		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Total
Ayr Nursing Trust Fund	10	16	-	-	-	-	10	16	26
Dr Andrew R Rennie Bequest	-	81	-	1	-	1	-	81	81
George Todd Memorial Hall	-	26	-	1	-	-	-	27	27
John McMaster Bursary Fund	61	185	1	5	-	2	62	188	250
Sundry Mortifications	16	26	-	-	-	-	16	26	42
53 Non Charitable Trusts with a closing Balance of less than £25,000	38	89	-	1	-	2	38	88	126
Total Non Charitable Trust	125	423	1	8	-	5	126	426	552
Total	295	804	1	12	-	13	296	803	1,099

***The following table details the impact on Balance Sheet movements in relation to the aforementioned restated 2012-2013 balances:

Capital and Revenue	Reported 2012-2013		Restated 2012-2013		Movement	
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue
Mary & Hugh Reid Trust (SC014448)	23	25	23	25	-	-
R H Smith Trust (SC022120)	97	274	97	274	-	-
McClymont Trust (SC008495)	22	22	33	11	11	(11)
7 Charitable Trusts with a closing Balance of less than £25,000	22	113	17	71	(5)	(42)
Total Charitable Trust	164	434	170	381	6	(53)

Other Trusts and bequests

The Council also administers the funds of a further 8 trusts or bequests which are controlled in part by external trustees. Included in these 8 trusts, are charitable trusts reported under the single charitable reference previously referred to above.

The value held in these funds at 31 March 2014 amounts to £0.874m. These trust or bequests are not included in the foregoing accounts and are not covered by the external audit certificate.

Other funds

The Council maintains additional funds in respect of the Sports Council and the Provost's Fund as shown in the table below:

2012-2013	Balance sheet as at 31 March	2013-2014
£000		£000
	Assets	
9	Balance due by loan fund	7
3	Investments	3
12	Total assets	10
	Reserves	
12	Revenue	10
12	Total reserves	10

Section 12: 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 the Valuation Boards. 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 subsidiary and three associate entities. Further details of each entity are detailed in the notes to the Group Accounts on pages 95 to 96. The subsidiary and associate entities share a common accounting period ending 31 March 2014.

Previously the Group Accounts for the Council included two additional associates, Strathclyde Police Joint Board and The Board of Strathclyde Fire & Rescue. Following the creation of a single police force in Scotland, Police Scotland, and a single fire service, Scottish Fire and Rescue, as of 1 April 2013, South Ayrshire Council no longer has a material interest in either Police or Fire services.

A review of group accounts in 2013-14 resulted in Ayr Renaissance, which was previously classed as an associate entity, being reclassified as a subsidiary. There is no overall impact on the prior year group net assets and liabilities but the change requires a movement between categories of assets and liabilities within the balance sheet and therefore the prior year comparators have been restated accordingly.

The subsidiaries now incorporated are The Common Good Fund and Ayr Renaissance. The Council effectively controls 100% of the Common Good Fund, which is overseen by elected members through the appropriate Council panel. Ayr Renaissance is operated by an independent board whose function is to deliver the Council's regeneration strategy for Ayr Town Centre. The board consists of eight members in total; four Council members and four private sector members. Currently the Council members are the Executive Director – Economy, Neighbourhood and Environment and three ward members.

The associate entities incorporated are:

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

The associate 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 and five members on the Ayrshire Valuation Joint Board.

Nature of Combination

The Council inherited its 100% interest in the subsidiary company from Kyle & Carrick District Council following the re-organisation of local government in 1996. Ayr Renaissance was established by South Ayrshire Council as a separate arms length, Limited Liability Company, 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.

Financial Impact of Consolidation

The inclusion of the subsidiary and associate entities in the group Balance Sheet increases both the reserves and net assets by £28.010m, representing the Council's share of the net assets or liabilities of the entities.

Group Core Financial Statements

I) Movement in group reserves statement for the year ended 31 March 2014

This statement shows the movement in the year on the reserves held by the Council plus its share of the reserves of its subsidiary and associates. The Council's reserves are analysed into those which are "Usable Reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Council's share of the reserves of its subsidiaries and associates is an unusable reserve (i.e. it cannot be used to fund expenditure or reduce taxation).

	Usable reserves	Unusable reserves	Total reserves of the Council	Council's share of reserves of subsidiaries and associates	Total group reserves
	£000	£000	£000	£000	£000
2013-2014					
Balance at 31 March 2013	45,546	256,061	301,607	(237,229)	64,378
Removal of share of reserves in Police & Fire	-	-	-	265,071	265,071
Revised Balance at 31 March 2013	45,546	256,061	301,607	27,842	329,449
Movement in reserves during 2013-2014					
Surplus or (deficit) on the provision of services	(14,480)	-	(14,480)	(14)	(14,494)
Other comprehensive income and expenditure	(1,322)	2,310	988	182	1,170
Total comprehensive income and expenditure	(15,802)	2,310	(13,492)	168	(13,324)
Adjustments between accounting basis and funding basis	14,221	(14,221)	-	-	-
Net increase/(decrease) before transfer to earmarked reserves	(1,581)	(11,911)	(13,492)	168	(13,324)
Transfers to/from earmarked reserves	-	-	-	-	-
Increase/(decrease) in 2013-2014	(1,581)	(11,911)	(13,492)	168	(13,324)
Balance at 31 March 2014	43,965	244,150	288,115	28,010	316,125

	Usable reserve	Unusable reserves	Total reserves of the Council	Council's share of reserves of subsidiaries and associates	Total group reserves
	£000	£000	£000	£000	£000
Restated 2012-2013 Comparative figures					
Balance at 31 March 2012	39,636	284,259	323,895	(190,817)	133,078
Movement in reserves during 2012-2013					
Surplus or (deficit) on the provision of services	(720)	-	(720)	(13,149)	(13,869)
Other comprehensive income and expenditure	(1,201)	(20,367)	(21,568)	(33,263)	(54,831)
Total comprehensive income and expenditure	(1,921)	(20,367)	(22,288)	(46,412)	(68,700)
Adjustments between accounting basis and funding basis	7,831	(7,831)	-	-	-
Net increase/(decrease) before transfer to earmarked reserves	5,910	(28,198)	(22,288)	(46,412)	(68,700)
Transfers to/from earmarked reserves	-	-	-	-	-
Increase/(decrease) in 2012-2013	5,910	(28,198)	(22,288)	(46,412)	(68,700)
Balance at 31 March 2013	45,546	256,061	301,607	(237,229)	64,378

As outlined in the Foreword by the Head of Finance and ICT on pages 1 to 9, the 2012-2013 prior year Movement in Reserves Statement has been restated to incorporate the revisions to the IAS19 accounting policy. In addition 2013-14 information has been adjusted to remove the share of the reserves of Strathclyde Police Joint Board and The Board of Strathclyde Fire and Rescue.

III) Group Balance Sheet

The Balance Sheet is a snapshot of the value at the 31 March 2014 of the assets and liabilities recognised by the Council and of its share of the net assets or liabilities of its associates. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The net investment or liability in its associates is matched by its share of the reserves of the associates (i.e. its group reserves).

Restated 31 March 2013 £000		£000	31 March 2014 £000
652,991	Property, plant and equipment	660,775	
2,549	Heritage assets	2,549	
120	Intangible assets	54	
2,503	Long term investments	791	
(596)	Investments in associates	-	
63	Long-term debtors	63	
657,630	Long-term assets		664,232
30,403	Short term investments	42,000	
3,157	Assets held for sale	3,157	
598	Inventories	683	
19,173	Short-term debtors	21,773	
32,373	Cash and cash equivalents	11,940	
85,704	Current assets		79,553
(10,135)	Short-term borrowing	(4,066)	
(41,822)	Short-term creditors	(40,086)	
(645)	Provisions	(727)	
(5,281)	Other short-term liabilities	(5,818)	
(57,883)	Current liabilities		(50,697)
(6,503)	Provisions	(5,469)	
(257,086)	Investments in Associates	7,738	
(177,169)	Long-term borrowing	(178,096)	
(1,993)	Other long-term liabilities (finance leases)	(2,736)	
(116,069)	Other long-term liabilities (pensions)	(138,207)	
(62,253)	Other long-term liabilities	(60,193)	
(621,073)	Long-term liabilities		(376,963)
64,378	Net assets		316,125
45,546	Usable reserves		43,965
256,061	Unusable reserves		244,150
(237,229)	Group reserves		28,010
64,378	Total reserves		316,125

The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 24 September 2014.



Tim Baulk BA Acc, CPFA
Head of Finance and ICT

24 September 2014

IV) Group Cash Flow Statement for the year ended 31 March 2014

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its subsidiaries during the reporting period. The Council's share of the cash flows of its associates is disregarded for the purpose of this statement as the Group Reserves are all unusable and cannot be used to fund services.

Restated 2012-2013		2013-2014	
£000	£000	£000	
	753		
	Net (surplus) or deficit on the provision of services		14,481
	Adjustments to net surplus or deficit on the provision of services for non cash movements		
(21,044)	<i>Depreciation & impairment of fixed assets</i>	(26,770)	
(62)	<i>Amortisation of intangible assets</i>	(66)	
(1,548)	<i>(Increase)/Decrease in creditors</i>	2,358	
(666)	<i>Increase/(Decrease) in debtors</i>	2,251	
(31)	<i>Increase/(Decrease) in inventories</i>	85	
(3,924)	<i>Pension liability</i>	(7,616)	
(9,814)	<i>Carrying amount of non-current assets sold</i>	(12,619)	
8,127	<i>Other non cash items</i>	4,722	(37,655)
	Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities		
1,400	<i>Proceeds from sale of property, plant and equipment, investment property and intangible assets</i>	1,142	1,142
(26,809)	Net cash flows from operating activities		(22,032)
23,221	Investing activities		30,760
(7,109)	Financing activities		11,705
(10,697)	Net increase or decrease in cash and cash equivalents		20,433
(21,676)	Cash and cash equivalents at the beginning of the reporting period		(32,373)
(32,373)	Cash and cash equivalents at the end of the reporting period		(11,940)

Notes to the Group Accounts

The notes required for the accounts of South Ayrshire Council as the holding entity are disclosed separately within the financial statements on pages 22 to 77. The following notes provide additional information in relation to other combining entries.

Note 1 Accounting Policies

The Group Account financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies on page 27 to 39.

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 included in the Group Accounts on pages 91 to 94, 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 5 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. All required disclosures are detailed on pages 83 to 85 of these accounts. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Common Good Fund.

	2013-2014	2012-2013
	£000	£000
Share of assets	19,116	18,930
Share of liabilities	(39)	(8)
Share of revenues	(691)	(746)
Share of (surplus)/deficit	1	33

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 2013-2014, South Ayrshire Council contributed £1.802m or 4.82% of the Board's estimated running costs. Its share of the year-end net asset of £7.607m (2012-2013 £7.693m) is included in the Group Balance Sheet. Copies of Strathclyde Partnership for Transport accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2013-2014	2012-2013
	£000	£000
Share of assets	11,470	12,078
Share of liabilities	(3,863)	(4,385)
Share of revenues	(3,190)	(2,912)
Share of (surplus)/deficit	(11)	(569)

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 2013-2014, South Ayrshire Council contributed £0.264m or 6.21% of the Board's estimated running costs. Its share of the year-end net asset of £0.100m (2012-2013 £0.087m) 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, Consort House, 12 West George Street, Glasgow G2 1HN. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2013-2014	2012-2013
	£000	£000
Share of assets	158	137
Share of liabilities	(58)	(50)
Share of revenues	(264)	(240)
Share of (surplus)/deficit	(13)	13

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 2013-2014, South Ayrshire Council contributed £0.741m or 33.34% of the Board's estimated running costs. Its share of the year-end net assets of £0.030m (2012-2013 £0.205m) 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. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2013-2014	2012-2013
	£000	£000
Share of assets	285	244
Share of liabilities	(255)	(39)
Share of revenues	(750)	(745)
Share of (surplus)/deficit	37	(34)

Ayr Renaissance was established by South Ayrshire Council as a separate arms length, Limited Liability Company, 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 Executive Director-Economy, Neighbourhood and Environment of South Ayrshire Council sits on the board along with three council Members and five private sector members. The organisation's running costs are met by South Ayrshire Council by way of an annual revenue contribution. South Ayrshire Council contributed £0.175m for running costs and £0.259m as a capital grant during 2013-2014. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2013-2014	2012-2013
	£000	£000
Share of assets	1,260	970
Share of liabilities	(65)	(35)
Share of revenues	(266)	(200)
Share of (surplus)/deficit	-	-

Note 4 Contingent Liabilities

At 31 March 2014 the Council had no share of contingent liabilities in any of its associate entities.

Section 13: Independent Auditor's Report

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

I certify that I have audited the financial statements of South Ayrshire Council and its group for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets and Cash Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rates Account, the Common Good Funds Accounts, the Trusts Funds Accounts and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and ICT and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of the council as at 31 March 2014 and of the income and expenditure of the group and the council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.



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

24 September 2014

Section 14: Glossary of Terms

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

Accounting Period

The period of time covered by the 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 is able to 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 and grants, and revenue funding.

Capital Programme

The capital schemes the Council intends to carry out over a specified period of time.

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 are 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.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase of a useable asset.

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

Government Grants

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

IAS

International Accounting Standards.

IFRIC

International Financial Reporting Interpretations Committee.

IFRS

International Financial Reporting Standards.

Impairment

A reduction in the value of a non-current asset to below its 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 of time.

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 Non Domestic Rates Pool

All non domestic rates collected by local authorities are remitted to the national pool and thereafter distributed to councils by the Scottish Government.

Non Distributed Costs

These are overheads from which no user now benefits and as such are not apportioned to services

Operating Lease

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 as a result of the introduction of, or improvement to retirement benefits

Pension Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post Employment Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment e.g. pensions in retirement.

Prior Year Adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and over to councils at interest rates only marginally higher than those at which the Government can borrow.

Rateable Value

The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

Related Parties

Bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. For the Council's purposes, related parties are deemed to include Elected Members, the Chief Executive, the Executive Directors and their close family and household members.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life.

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

Temporary Borrowing

Money borrowed for a period of less than one year.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom

Trust Funds

Funds administered by the Council for such purposes as prizes, charities and specific projects.

Useful Economic Life

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

Front cover: **Kirkmichael Primary School**

The new £2.3 million Kirkmichael Primary School, built by South Ayrshire Council on the site of the old school building. The new school has a lot of natural light and this, combined with bold use of colours, provides the children with a great space in which to learn and have fun.



Girvan Pontoons

£500,000 Girvan Harbour Pontoons offer 35 modern berths for a range of vessels and provide a great boost to the facilities on offer to sailors in Ayrshire.



Braehead Primary School

Completion of a £3.2million refurbishment programme at Braehead Primary School has transformed the school into a place fit to meet the educational needs of the 21st century.



Ambition

The Council's AMBITION programme supports job creation in South Ayrshire. 24 businesses have either started, or are in the process of starting, thanks to the support offered by AMBITION.



Forehill Social Housing

South Ayrshire Council's £2.2 million housing development at Forehill in Ayr provides modern and socially affordable houses.



Burns an' a' That! Festival

The Burns an' a' That! Festival is an annual tribute to Scotland's internationally acclaimed poet Robert Burns.



www.south-ayrshire.gov.uk