



South Ayrshire Council

# Annual Accounts

31st March  
**2015**

# South Ayrshire Council Annual Accounts

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## Section 1: Management Commentary

### Introduction

This Management Commentary provides an overview of the key messages in relation to the objectives and strategy of South Ayrshire Council (the Council) and the financial performance of the Council and its group for the year ended 31 March 2015. It also provides an indication of the issues and risks which may impact upon the finances of the Council in the future.

South Ayrshire Council was established in 1996 as part of the local government reorganisation in Scotland under the Local Government (Scotland) Act 1994. The Council has responsibility for providing local authority services for the residents of the southern part of Ayrshire, encompassing an area of 242 square miles and a population of 113,000. It borders onto Dumfries and Galloway, East Ayrshire and North Ayrshire.

The Council has thirty councillors elected every five years to represent the interests of the local community. The management of the Council is led by the Chief Executive, Eileen Howat. The operational structure is divided into four directorates: Educational Services; Economy, Neighbourhood and Environment; Resources, Governance and Organisation; and Social Care Services. The Council has established an Arms' Length External Organisation: Ayr Renaissance LLP to deliver the regeneration of Ayr Town Centre.

### Objectives and Strategy of the Council

The Scottish Government publishes a set of national outcomes within a National Performance Framework. These outcomes are an overarching guide for the local community planning partnership document, the Single Outcome Agreement.

The Council's Single Outcome Agreement (SOA) for 2013-2023, as agreed with the Scottish Government, builds on the work and achievements of our previous partnership SOA for 2009-2012 and continues to be the main strategic driver and provide the focus for the work of all our partners in South Ayrshire over the next 3, 5 and 10 years. In setting our priorities we have used the best evidence available, both quantitative in terms of available data and qualitative in terms of approaches and good practice that have been proven to work.

At the heart of the document is the desire to remove barriers to effective partnership working and to ensure that the cultures, systems, structures and accountability and leadership arrangements enable the delivery of better outcomes for communities. It also recognises that communities have a key role to play in helping to shape better outcomes within their communities.

The Council Plan forms a significant step in the refresh of the Council's planning hierarchy. It sets out in more detail how the Council intends to deliver services in line with the direction established with our Community Planning Partners in the South Ayrshire Single Outcome Agreement for 2013-2023, that then allows further development and detail to be added through our service plans.

The Council Plan covers the period to 2017 and identifies six Strategic Objectives:

- (1) Maximise the potential of our local economy;
- (2) Maximise the potential of our children and families;
- (3) Maximise the potential of our adults and older people;
- (4) Maximise the potential of our communities;
- (5) Maximise the potential of our environment; and
- (6) Improve the way we work as a Council.

Each Objective is accompanied by a set of Key Actions and Outcomes and these are monitored through Service and Improvement Plans for each service area. These are developed and updated annually using self-evaluation ('How Good is Our Council') and the Council's Performance Management Framework.

### Performance Management and Reporting

In March 2014 the Council introduced a new performance management framework following the approval of the 2014-2017 Service and Improvement Plans (SIPs). The Council now sets out its annual performance journey within a 'Plan-Deliver-Review-Revise' framework. This framework is being used to help assess not only what we have achieved, but how effective we are and where we have to improve.

It reviews the outcomes that we set out to achieve and uses a performance management system to report on our performance. The 'symbols' used within the reports show at a glance whether we can demonstrate that issues are either: Completed; On Target; Not on target – some concerns or Not on target – major concerns.

Progress against the 2014-2017 Service and Improvement Plans and the refreshed plans for 2015-2018 were considered by the Service and Performance Panel on 2 and 8 June 2015. Copies can be found at:

<https://www20.south-ayrshire.gov.uk/ext/committee/CommitteePapers2015/Service%20and%20Performance%20Panel/2nd%20June/SPP-02jun15-SIP%20Refresh.pdf>

<https://www20.south-ayrshire.gov.uk/ext/committee/CommitteePapers2015/Service%20and%20Performance%20Panel/8th%20June/Item%202.pdf>

## **Medium Term Financial Strategy**

The Council, like all others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. In recognition of this the Council formally approved a five year medium term Financial Strategy on 18 December 2014 covering the period 2015-16 to 2019-20. This strategy recognises the Council's duty to set a prudent, sustainable budget, and seeks to provide a practical foundation for the provision of the best possible value for money in the delivery of Council services in the longer term.

The value of such a strategy is that it enables the Council to develop a better understanding of the wider policy and financial environment within which it operates, identify and respond flexibly to changing contributing factors, manage and mitigate risk and ensure financial resources are directed towards achieving the Council's strategic objectives.

## **Annual Budget and Setting of Council Tax**

The Council formally approved a three-year budget covering the period 2014-15 to 2016-17 on 19 December 2013. The budget was based on the Council Tax for band D remaining at £1,153 for the seventh successive year. The Council also approved a £106.6m four year capital investment programme of which £62.9m would be funded by the Council through a combination of £59.6m of borrowing and £3.3m of capital receipts and contributions and with £43.7m being funding by government grants.

## **Service changes and future developments**

### **• Council restructure**

As a result of Council decisions in respect of services which would transfer to the Health and Social Care Integration Joint Board by no later than 1 April 2015 and the formation of a shared roads service with East Ayrshire Council – Ayrshire Roads Alliance, the Council revised its directorate structure to accommodate these changes in responsibilities. For 2014-15 the operational structure is now divided into four directorates: Educational Services; Economy, Neighbourhood and Environment; Resources, Governance and Organisation and Social Care Services.

### **• Ayrshire Roads Alliance**

On 1 April 2014 the Ayrshire Roads Alliance (ARA) began operating. ARA was established to deliver shared Council roads and transportation services to communities across East and South Ayrshire. The Alliance is governed by a joint committee of elected members from the two Councils, with the service being led by East Ayrshire Council. It delivers roads services including roads maintenance, winter maintenance, design and infrastructure, traffic and transportation and road safety. The new purchase and provider operating model ensures a consistent standard of service delivery while improving service efficiency and resilience, against a backdrop of reducing public sector budgets. The Council made payments to ARA of £7.638m for the provision of roads services during 2014-15.

### **• Health and Social Care Partnership**

Following the submission of three Integration Schemes from Ayrshire, the Cabinet Secretary for Health, Wellbeing and Sport signed the Parliamentary Order in March 2015 which enabled the establishment of new Health and Social Care Partnerships. The new integrated partnerships combine the resources and expertise from local Councils, the NHS and a number of other stakeholders to deliver key services where they are needed most. The South Ayrshire Integration Joint Board was formally established on 1 April 2015.

## Financial Statements

The financial statements for 2014-2015 are set out on pages 23 to 96 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*). The Statement of Accounting Policies on pages 28 to 40 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the Council's financial performance. An explanation of each of the financial statements which follow and their purpose is shown at the top of each statement.

## Financial Performance 2014-15

### • General Fund Revenue

The financial performance of the Council's General Fund and Housing Revenue Account for 2014-2015 is contained within the Movement in Reserves Statement on page 23. 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, resulted in a surplus for the year of £2.225m. After application of the planned utilisation of £6.753m from reserves for brought forward expenditure commitments from prior years, this results in an in year surplus of £8.978m.

A summary of the general fund out-turn position against the approved budget is shown in the following table. Directorate budgets include the utilisation of £6.753m of balances brought forward for use in 2014-2015.

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive's Strategic Office	902	625	277
Educational Services	97,281	94,885	2,396
Economy, Neighbourhood & Environment	62,832	58,826	4,006
Resources, Governance & Organisation	10,292	8,311	1,981
Social Care Services	72,079	72,910	(831)
<b>Directorate expenditure</b>	<b>243,386</b>	<b>235,557</b>	<b>7,829</b>
Miscellaneous – capital financing etc	11,443	10,343	1,100
<b>Total net expenditure</b>	<b>254,829</b>	<b>245,900</b>	<b>8,929</b>
General revenue grant	(159,733)	(159,765)	32
Non domestic rate income	(43,134)	(43,134)	-
Council tax/community charge income	(45,459)	(45,226)	(233)
<b>Total funding</b>	<b>(248,326)</b>	<b>(248,125)</b>	<b>(201)</b>
<b>(Surplus)/ deficit for the year</b>	<b>6,503</b>	<b>(2,225)</b>	<b>8,728</b>
Planned utilisation of reserve balances brought forward for use in 2014-15	(6,503)	(6,753)	250
<b>Revised General Fund (surplus)/ deficit for the year</b>	<b>-</b>	<b>(8,978)</b>	<b>8,978</b>

The surplus position of £8.978m when added to the surplus of £16.173m brought forward from 2013-2014, following the utilisation of £6.753m of reserves to fund 2014-2015 expenditure, results in a General Fund Balance of £25.151m at 31 March 2015. The most significant variances from budget outlined in the table above are in relation to the following:

- The underspend within Educational Services (£2.396m) was due to a combination of factors, the most significant of which related to delays in the implementation of spending plans for utilising the Scottish Government's Children and Young People (Scotland) Act funding and underspends in devolved school management budgets. Both of these underspends have been carried forward to be utilised in 2015-2016. In addition, energy costs did not increase in line with budgeted expectations, partly due to the milder winter and reduced energy prices.
- The underspend within Economy, Neighbourhood & Environment (£4.006m) was due to underspends across various services within the directorate. The most significant related to underspends within Enterprise, Development and Leisure where a number of projects and partnership working, due to be undertaken in 2014-2015, were re-profiled or delayed until 2015-2016. In addition, additional, unbudgeted income was received due to the volume of planning applications received. Within Housing and Facilities, over-recovered Property Maintenance income accounted for a significant proportion of the overall position.

- The underspend within Resources, Governance and Organisation (£1.981m) was due to a combination of underspends across directorate services, including employee costs which underspent due the significant the staffing restructuring that took place during the year. The underspend also included externally funded Youth Skills and Employability funding, a significant proportion of which has been carried forward for continued use in 2015-2016.
- The overspend within Social Care Services (£0.831m) was due to a combination of factors, the most significant overspend occurring in relation to Children's Services Outwith Authority Placements. This overspend was offset to some extent by underspends in employee costs.
- The underspend within Miscellaneous (£1.100m) is primarily due to savings on debt management charges due to borrowing requirements linked to capital spend being below expectations in prior years and the receipt of unbudgeted supplier rebate income and VAT refunds.
- A number of those underspends outlined above related to on-going projects and Council priorities, the delivery of which will be supported by the carry-forward of a proportion of those underspends to 2015-2016. Further detail can be found in the Annual Accounts 2014-2015 report submitted to the South Ayrshire Council meeting of 25 June 2015 at the following address: <http://www.south-ayrshire.gov.uk/committees/agendas.aspx>

The table below outlines the £25.151m accumulated surplus to be carried forward to 2015-2016 and the various amounts that require to be set aside from the accumulated surplus to be utilised in 2015-2016 or future years.

<b>Accumulated surplus</b>	<b>£'000</b>	<b>£'000</b>
Surplus brought forward from 2013-2014	(22,926)	
Less planned utilisation of reserve balances for expenditure commitments brought forward from prior years	<u>6,753</u>	
<b>Accumulated surplus at 1 April 2014</b>		(16,173)
General Fund surplus for the year		<u>(8,978)</u>
<b>Accumulated surplus at 31 March 2015</b>		(25,151)
<b>Earmarking or commitments in 2015-2016 or beyond</b>		
Directorate 2015-2016 expenditure commitments	4,074	
Affordable Homes strategy (council tax income collected in respect of second homes)	1,485	
Efficiency and improvement fund	1,277	
Local election fund	163	
Workforce change fund	<u>2,942</u>	
<b>Total planned commitments</b>		<u>9,941</u>
<b>Uncommitted surplus</b>		<u><u>(15,210)</u></u>

This leaves a balance of £15.210m (5.8% of the Council's total planned expenditure for 2015-2016). It is considered good practice for local authorities to maintain reserves of between 2% and 4% of annual running costs, which is equivalent to between approximately £5.230m and £10.460m for South Ayrshire Council.

#### • **Housing Revenue Account**

The Housing Revenue Account on page 77 shows a reduction on the Housing Revenue Account balance of £2.984m for the year to 31 March 2015, which compares favourably to a budgeted reduction for the year of £3.739m. The underspend is primarily due to underspends on debt financing costs and additional mainstream rental income received during the year.

When deducted from the surplus brought forward from 2013-2014 of £13.445m, this results in an accumulated surplus of £10.461m at 31 March 2015 of which £5.550m is required to fund specific capital and revenue expenditure in future years. This leaves an uncommitted general reserve balance of £4.911m which will be considered as part of the update to the housing business plan. In addition a proportion will be held as a contingency in the event of unexpected or emergency situations.



### • Council Tax Collections

The Council budgeted to collect £45.459m in council tax (net of Council Tax Reduction Scheme adjustments) during 2014-2015. This equated to 17.8% of the overall funding required to meet net expenditure for the year. An in year collections rate of 94.8% was achieved in 2014-2015 which was 1.3% higher than the targeted 93.5%.

### • Capital Expenditure and Income

The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability and sustainability. Capital expenditure of £30.575m was incurred during the year as shown in Note 29 on page 64, of which £15.089m was spent on Council housing, £8.791m on educational properties, £1.531m on roads and infrastructure improvements, £0.870m on Information and Communication Technology and £4.294m on other Council projects.

Funding of capital expenditure included £2.151m from the sale of assets, £17.560m government grants and other contributions received and £10.535m revenue funding. Long-term borrowing of £0.329m 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 2014-2015 included:

	£'000
Ayr Academy – new build preparation works and land acquisition	2,764
Marr College – new build preparation works	1,595
Queen Margaret Academy – programme of internal and external refurbishment	1,296
Kincaidston Primary School – programme of modernisation	1,317
Barrhill Primary School – programme of modernisation	565
Belleisle Golf Clubhouse	486
Road improvement projects	990
Buy back of former HRA properties	614
Continued programme of modernisation of council houses	10,245
New build council houses	3,418

The Council approved a new five year capital investment programme for 2015 to 2020 in December 2014. 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 Information Technology and the rationalisation of office accommodation.

### • Long-term and Short-term Borrowing

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing for capital investment purposes is either sourced from the use of internal cash balances held (internal borrowing) or comes from the Public Works Loan Board (PWLB), a Government sponsored body set up with the primary purpose of lending to UK local authorities. The remainder of funding comes from money market borrowing. Further details can be found in Note 12 on pages 51 to 53.

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:

- *The Capital Financing Requirement (CFR)* measures the underlying need to borrow for capital purposes. As at 31 March 2015, the CFR (inclusive of PPP and Finance Lease liabilities) stood at £236.302m, while the *Gross external borrowing* stood £5.520m higher at £241.822m (inclusive of PPP and Finance Leases) resulting in a temporary over borrowed position as measured against the CFR at the year end.
- *The Ratio of Financing Costs to Net Revenue Stream* provides an indication of affordability of capital investment. As at 31 March 2015, the combined General Services and Housing Revenue Account ratio of financing cost to net revenue stream was 7.20%. 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 Renewals Fund* balance decreased from £6.312m at the start of the financial year to £5.354m at 31 March 2015 as a result of £0.040m of interest earned less draws from the fund of £0.556m for revenue projects and £0.443m draws for capital projects.
- *The Insurance Fund* had a balance of £0.425m at 1 April 2014. Insurance premiums and payments in respect of uninsured losses totalling £1.463m were incurred during the year, offset by interest earned of £0.003m together with a contribution of £1.460m 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 2013-14. A further review is planned to be undertaken during 2016-17.
- *The Capital Fund* was established during 2005-2006. There was a zero balance on the Fund at 1 April 2014 and no contributions were made during the year resulting in the balance in the fund remaining at zero at 31 March 2015.

Movements on the fund balances and reserves during 2014-2015 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 2014	22,926	6,312	425	-	13,445
Surplus/(deficit) for the year	8,978	-	(1,463)	-	755
Appropriations (to)/from revenue/capital	-	(958)	1,463	-	-
Planned use of Surplus	(6,753)	-	-	-	(3,739)
<b>Closing balance as at 31 March 2015</b>	<b>25,151</b>	<b>5,354</b>	<b>425</b>	<b>-</b>	<b>10,461</b>

A comprehensive analysis of the Council's reserves is provided in the Movement in Reserves Statement on page 23.

#### • Balance sheet

The Balance Sheet on page 26 summarises the Council's assets and liabilities at 31 March 2015. Total assets have increased from £726.081m at 31 March 2014 to £778.584m at 31 March 2015, an increase of £52.503m. This is primarily due to an increase in the value of property, plant and equipment, due mainly to council house revaluations undertaken during the year combined with an increase in short term investments and cash and cash equivalents. Total liabilities have increased by £46.750m to £484.716m, of which the most significant increase of £41.903m is due to the pension fund liability movement.

#### Additional Information

##### • Provisions, Contingencies and Write-offs

The Council has provided £6.461m for eventualities which may have a material effect on the financial position of the authority. The reason for the provisions is outlined in Note 18 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 2014-15 a review was undertaken in relation to employee related claim provisions. The review resulted in the conclusion that the overall value of provision required for employee related claims is set at an appropriate level based on all current known information.

As outlined within Financial Review (General Fund Revenue), the Council has also earmarked £9.941m within the General Fund Balance for specific purposes.

During 2014-2015 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 2014-15 having taken place on 31 March 2014. The Council's Balance Sheet shows a pension liability of £180.080m at 31 March 2015 compared to a pension liability of £138.177m at 31 March 2014. 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 strong 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 2014-2015, £9.982m was paid to the contractor in 'unitary charge' payments under the terms of the agreement.

- **Common Good and Trust funds**

The Council administers the Common Good Fund. In addition the Council administers a number of sundry trusts, some of which are registered charities. The 2014-2015 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 £0.105m which, when added to the surplus brought forward from 2013-2014, contributes to an accumulated surplus at 31 March 2015 of £0.795m. Total reserves reduced in value by £0.393m to £18.684m, primarily due to the utilising capital reserves for fixed asset investment purposes. 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 were £0.542m as at 31 March 2015. The reserves of the other trusts administered by the Council (where the Council is sole trustee) were £0.446m as at 31 March 2015. 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 £27.539m, representing the Council's share of the net assets in these entities.

## **Financial Outlook and Key Risks**

Whilst the economic climate improved over the course of 2014-15, economic commentators continue to forecast that the pressure on public finances will likely continue for the foreseeable future, at least until 2018-19. The UK Government's 2015 Comprehensive Spending Review closely follows the 2015 General Election is expected to increase pressure further on funding for public services.

At the same time, the Council faces on-going service and cost pressure arising from a range of issues, most significantly demographic and socio-economic factors which continue to play a major role in driving spending pressures within the Council, particularly in relation to social care services. The UK Governments continued roll out of the welfare reform agenda provides challenges in terms of demand for council services and support. In addition the planned reductions in the national welfare bill will no doubt lead to pressure on some local resident personal finances and they may find it difficult to meet local tax and housing rent commitments resulting in increased risk to Council income sources. The Council along with its key partners remains committed to supporting residents prepare for and manage the impact of the changes for themselves, their families and communities.

There has been a significant amount of activity during 2014-15 in preparing for the integration of health and social care. A number of work streams have progressed, including those associated with planning and managing the finances of the new partnership with the result that the South Ayrshire Integrated Joint Board was established on 1 April 2015. The Council will continue to support the partnership to ensure it is well placed to deliver integrated services and improved outcomes for the public.

The combination of anticipated cost pressures and reduced government grant income presents significant challenges and financial risk for the Council over the medium term. The Council's five year financial strategy approved in December 2014 provided a five year outlook which indicated that further budget reductions of £23m will be required between 2016 and 2020. The approved five year financial strategy will enable the Council to give early consideration to forecast pressures in later years and take a measured approach to addressing them. It will also provide greater flexibility in financial planning by establishing a robust framework for the role of reserves in supporting planned expenditure and also considering how these reserves will be replenished.

## Conclusion

The continuation of prudent financial management and medium term financial planning has allowed the Council to successfully manage its financial affairs. The Council's financial position at 31 March 2015 is comparable to the position brought forward at 1 April 2014 and reflects the collective efforts of service managers, directorate management teams and Corporate Finance staff in maintaining sound financial management processes during the year. .

We would like to acknowledge the significant effort of all the staff across the Council who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the financial position at 31 March 2015.



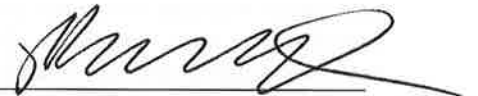
**Eileen Howat**  
Chief Executive

24 September 2015



**Councillor Bill McIntosh**  
Leader of the Council

24 September 2015



**Tim Baulk BA Acc CPFA**  
Head of Finance & ICT

24 September 2015

## Section 2: Statement of Responsibilities

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.

### The Council's responsibilities

The Council is required to:

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



**Councillor Bill McIntosh**  
Leader of the Council

24 September 2015

### 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 Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*).

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

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

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.

I certify that the financial statements give a "true and fair view" of the financial position of the Council at the reporting date and the transactions of South Ayrshire Council and its group for the year ended 31 March 2015.



**Tim Baulk BA Acc CPFA**  
Head of Finance and ICT  
24 September 2015

### Section 3: Annual Governance Statement

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

#### Scope of Responsibility

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Council's Framework is available on our website at [www.south-ayrshire.gov.uk/delivering-good-governance](http://www.south-ayrshire.gov.uk/delivering-good-governance) and can also be obtained from the Head of Policy and Performance, South Ayrshire Council, County Buildings, Wellington Square, Ayr, KA7 1DR.

The Council complies with the requirements of the CIPFA Statement on *"The Role of the Chief Financial Officer in Local Government 2010"*. The Council's Head of Finance & ICT (Section 95 Officer) has overall responsibility for the Council's financial arrangements, and is professionally qualified and suitably experienced to lead the Council's finance function and to direct finance staff.

The Council complies with the requirements of the CIPFA Statement on *"The Role of the Head of Internal Audit in Public Service Organisations 2010"*. The Council's Chief Internal Auditor has responsibility for the Council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the Council's Internal Audit staff.

Elected Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Audit and Governance Panel which acts as the Council's Audit Committee operates in accordance with CIPFA's *Audit Committee Principles in Local Authorities in Scotland* and *Audit Committees: Practical Guidance for Local Authorities*. During 2014-15 the Audit and Governance Panel was chaired by an Independent Elected Member and as from September 2015, following a decision by Council, the Panel will be chaired by an externally appointed chair.

The Audit and governance Panel performs a scrutiny role in relation to the application of CIPFA's *Public Sector Internal Audit Standards 2013 (PSIAS)* and regularly monitors the performance of the Council's Internal Audit service. The Council's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

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

#### The Purpose of the Governance Framework

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

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

The governance framework has been in place at South Ayrshire Council for the year ended 31 March 2015 and up to the date of approval of this statement of accounts.

### The Governance Framework

The Council's Framework is built around 6 principles and 18 aspects that set out the key building blocks of good governance. These are allocated to lead officers who set out and evidence how these are in place within South Ayrshire Council.

Principle:	Aspects:	Lead Officers:
<b>1. Direction</b>	Plans; Performance; Review	Head of Policy & Performance
<b>2. Roles</b>	Structures; Delegation; Research	Heads of Legal & Democratic Services Policy & Performance; and Communities
<b>3. Values</b>	Values; Behaviour	Heads of Customer & Employee Services and Legal & Democratic Services.
<b>4. Decision Making</b>	Reporting Decisions, Quality of Information, Risk Management	Heads of Legal & Democratic Services Policy & Performance; and Property & Risk
<b>5. Skills</b>	Competencies; Training; Development	Heads of Communities and Customer & Employee Services.
<b>6. Accountability</b>	Reporting; Consultation; Communication; Partner Relationships	Heads of Communities; Customer & Employee Services and Policy & Performance

### 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 2014-2015, by the Audit and Governance Panel. In addition in June 2015 the Audit and Governance Panel received an annual assurance statement from the Chief Internal Auditor which covered the 2014-15 financial year which stated "Performance Appraisal and Audit can provide reasonable assurance that adequate controls were in place and were operating throughout the Council in 2014-15".

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 Audit and Governance Panel.

Management have continued to react positively to audit reports and have, in the main, implemented audit recommendations in order to enhance internal controls and to minimise the risks associated with audit findings.

### Review of Effectiveness

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

Reflecting this, a year-end assessment against each of the 18 aspects within the Council's Framework has been undertaken and signed off by each of the lead Heads of Service. These assessments have been scrutinised by the Audit and Governance Management Panel on 9 June 2015, the minutes of this meeting having been put before full Council on 25 June 2015.

2014-15 Assessments of each aspect in the Delivering Good Governance Framework					
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	

<b>Key:</b>		= Effective		= Some Concerns		= Major Concerns
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These assessments continue to show that the Council has the main building blocks in place to delivering good governance, but we recognise that there is scope for improvement across a number of aspects.

### 2014-15 Governance Developments

Following the Targeted Best Value Audit undertaken by Audit Scotland in 2013-14 and subsequent approval by Council of an improvement action plan in April 2014, Audit Scotland undertook a series of interviews with officers and Elected Members during 2014-15 and produced a report on their findings. This report was considered at the Accounts Commission meeting on 11 December 2014 and their findings were considered by Council on Thursday 18 December 2014. The report provided an update on improvement progress indicating that the council had responded quickly and positively to the Accounts Commission's original findings and that good progress had been made during the year. It was agreed that a further action plan should be developed in order to sustain the improvements made up to that point and Council approved the new action plan in March 2015.

The Council in partnership with NHS Ayrshire and Arran continued to progress towards the establishment of an integrated Health and Social Care Partnership. During 2014-15, the shadow partnership established its senior management structure and approved the Integration Scheme and Strategic plans for submission to the Scottish



Government. Approval was received and the South Ayrshire Integration Joint Board was formally established on 1 April 2015. The new integrated partnership combines the resources and expertise from local Councils, the NHS and a number of other stakeholders to deliver key services where they are needed most. The Council is satisfied that proper due diligence has been carried out in respect of funds delegated to the Health & Social Care Partnership Integration Joint Board. The use of these funds will be monitored on an on-going basis.

In the early part of 2014-15 the Council upgraded its financial management system, the Oracle e-business suite, to the latest version. Whilst the upgrade was successfully completed, it has been recognised that the project did not proceed as originally anticipated. The implementation was delayed from the original plan to allow time to address issues arising during the upgrade process and only limited time for testing of the system was factored in prior to going live. The functional impact of the upgrade was underestimated and issues arising post implementation were not resolved in a timely manner. A post implementation review is now being progressed to evaluate how successfully the objectives were met and the effectiveness of project management, thereby ensuring that lessons learned are applied to future Council projects.

## **2015-16 Improvement Actions**

### **1. Direction**

- Report on performance against the Council Plan over 2014-15 and identify proposed next steps to refine the vision, strategic objectives and improvement themes.
- Ensure the business planning framework is embedded; reporting is structured to reflect the needs of stakeholders; and that review is focused on service performance and improvement.
- The Best Value Working Group will continue to meet to ensure that the agreed actions are achieved.
- The Corporate Management Team will continue to review all services against the agreed Service Review Framework over a three year period.

### **2. Roles**

- Review the operation of the four new scrutiny panels in conjunction with the Panel chairs, with any proposed revisions being reflected in revisions to the Scheme of Delegation.
- Complaints data to be reported to the Service and Performance Panel as part of Service and Improvement Plans reporting and through a regular corporate overview report.

### **3. Values**

- Take forward two short term working groups, one to look at Corporate Standards and the other to consider Recognition and Reward.
- Employee and Customer Services to follow up the employee engagement survey with employee focus groups across service areas.
- Service Managers, in conjunction with Heads of Service, to consider and take appropriate action on feedback received from the employee engagement survey and the focus groups.

### **4. Decision Making**

- Continue to develop arrangements to ensure residents, customers, service users and stakeholders are well informed about Council decisions, policies, services and activities.
- Further develop the linkages between resources and budget management as part of refresh of the 2016-19 Service and Improvement Plans.
- Complete the review of the Risk Management Strategy in light of structure changes.

### **5. Skills**

- Ensure the quality of Performance Development Reviews are maintained and that the Council's competency framework is applied consistently throughout recruitment, induction and training.
- Ensure that further development of Elected Member Continuous Professional Development is taken forward as part of the 2015-16 programme of activity.
- Deliver an agreed programme for Leadership Development for Chief Officers and Senior Managers over 2015-16.

### **6. Accountability**

- Undertake a review of current Public Performance Reporting arrangements reflecting on feedback from the 2013-14 national review by Audit Scotland.
- Continue to deliver the Consultation and Engagement Action Plan 2014-17.
- Implement the new Community Planning governance arrangements.

## Assurance

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2014-2015 provides reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



**Eileen Howat**  
**Chief Executive**

**24 September 2015**



**Councillor Bill McIntosh**  
**Leader of the Council**

**24 September 2015**

## Section 4: Remuneration Report

The Remuneration Report provides details of the local authority's remuneration policy for senior councillors and senior employees and details of any role the local authority has in determining the remuneration policy for any local authority subsidiary body. The report is subject to audit and forms part of the 2014-2015 annual audit by the Council's external auditors, Audit Scotland.

### 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 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 2014-2015 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 2014-2015, 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 LLP 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 2014-2015 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: <http://www.south-ayrshire.gov.uk/councillors/expenses/>

#### a) Remuneration of Senior Councillors and Chair of Joint Boards

Name	Post title	Gross salary & allowances	Non-cash expenses & benefits-in-kind	2014-2015 Total remuneration	**2013-2014 Total remuneration
		£	£	£	£
Councillor W McIntosh	Leader of the Council	33,123	8	33,131	32,822
Councillor H Moonie	Provost	24,842	-	24,842	24,603
Councillor B Grant	Senior Councillor (2)	21,926	81	22,007	21,715
Councillor J McDowall	Senior Councillor (2)	21,926	769	22,695	23,020
Councillor R Miller	Senior Councillor (2)	21,926	-	21,926	21,715
Councillor R Reid	Senior Councillor (2)	21,926	43	21,969	21,715
Councillor P Saxton	Senior Councillor (2)	21,926	1,161	23,087	22,113
Councillor M Toner	Senior Councillor (2)	21,926	195	22,121	22,098
Councillor I Cavana	Senior Councillor (1)	19,783	186	19,969	19,928
Councillor B Connolly*	Senior Councillor (1)	19,369 (full year equivalent £19,783)	436	19,805	20,561
Councillor P Convery	Senior Councillor (1)	19,783	1,009	20,792	20,661
Councillor K Darwent	Senior Councillor (1)	19,783	-	19,783	19,592
Councillor A Galbraith	Senior Councillor (1)	19,783	711	20,494	20,866
Councillor J Hampton	Senior Councillor (1)	19,783	-	19,783	19,592
Councillor M Kilpatrick	Senior Councillor (1)/ Depute Provost	19,783	-	19,783	19,592
Councillor B McGinley	Senior Councillor(1)	19,783	-	19,783	19,592
		347,371	4,599	351,970	350,185

\*Councillor B Connolly resigned as Chair of the Audit & Governance Panel, effective from 11 February 2015

\*\* 2013-2014 total remuneration figures have been restated to incorporate taxable expenses not previously reported in the annual accounts

(i) –Full post title and responsibilities relating to each councillor can be found in the Members' Allowances and Expenses Paid 2014-2015 Annual Return which is available on the Council's website.

(ii) –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 Audit & Governance Panel.

Total remuneration represents gross salary and 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.

	2014-2015 Total remuneration	2013-2014 Total remuneration
	£	£
Salaries	579,210	574,037
Expenses	30,585	34,514
	<b>609,795</b>	<b>608,551</b>

The annual return of councillors' salaries and expenses for 2014-2015 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

Name	Post title	Year ended 31 March 2015			Total Remuneration £	2013-2014
		Gross salary & allowances £	Taxable expenses £	Non-cash expenses & benefits-in- kind £		Total Remuneration £
E Howat(i)	Chief Executive	126,352	-	-	126,352	124,102
D J Anderson(ii)	Former Chief Executive	-	-	-	-	22,620
V Andrews(iii)	Executive Director- Resources, Governance & Organisation	108,995	-	-	108,995	95,298
L Bloomer	Executive Director- Economy, Neighbourhood & Environment	106,745	-	-	106,745	105,732
H M Garland(iv)	Executive Director- Care, Learning & Wellbeing	50,080 (full year Equivalent £105,911)	-	-	50,080	105,732
T Eltringham(v)	Director of Health & Social Care Partnership	84,482 (full year Equivalent £106,767)	218	-	84,700	-
D Hutchison(vi)	Director of Educational Services	92,685 (full year Equivalent £92,745)	52	-	92,737	-
M Baker(vii)	Head of Policy and Performance	24,005 (full year Equivalent £66,177)	13	-	24,018	-
C Monaghan(viii)	Head of Policy, Community Planning & Public Affairs	76,496	-	400	76,896	75,913
H McLaughlin	Audit Services - Programme Review Manager	50,159	-	-	50,159	49,686
		719,999	283	400	720,682	579,083

The above table includes election fees: E Howat £2,250 and V Andrews £2,250

(i) Eileen Howat was Acting Chief Executive until she was appointed to the permanent role of Chief Executive on 23 May 2013.

(ii) David Anderson left the employment of South Ayrshire Council on 22 May 2013

(iii) Valerie Andrews held the post of 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 was appointed to this role permanently on 24 February 2014

(iv) Harry M Garland left the employment of South Ayrshire Council on 8 June 2014

(v) Tim Eltringham was appointed to the role of Director of Health and Social Care Partnership on 16 June 2014

(vi) Douglas Hutchison held the post of Head of Education until he was appointed to the new role of Director of Educational Services on 3 July 2014

(vii) Mark Baker was appointed to the post of Head of Policy & Performance on 8 December 2014

(viii) Claire Monaghan held the post of Head of Policy, Community and Public Affairs until she was appointed to the new role of Head of Communities, Economy, Neighbourhood and Environment on 8 December 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 2014-2015	Total remuneration 2013-2014
		£	£
D Bell	Managing Director of Ayr Renaissance LLP	76,967	76,236

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
	2014-2015	2013-2014
£50,000 - £54,999	62	36
£55,000 - £59,999	17	19
£60,000 - £64,999	4	6
£65,000 - £69,999	4	3
£70,000 - £74,999	5	3
£75,000 - £79,999	5	6
£90,000 - £94,999	1	1
£100,000 - £104,999	1	-
£105,000 - £109,999	2	2
£120,000 - £124,999	1	1
£125,000 - £129,999	1	-
	<b>103</b>	<b>77</b>

#### 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 2014-2015 are as follows:

	<b>Contribution rate</b>
<b>Full time pay</b>	<b>2014-2015</b>
On earnings up to £13,500	5.50%
On earnings above £13,500 and up to £21,000	5.80%
On earnings above £21,001 and up to £34,000	6.50%
On earnings above £34,001 and up to £43,000	6.80%
On earnings above £43,001 and up to £60,000	8.50%
On earnings above £60,001 and up to £85,000	9.90%
On earnings above £85,001 and up to £100,000	10.50%
On earnings above £100,001 and up to £150,000	11.40%
On earnings above £150,000	12.50%

	<b>Contribution rate</b>
<b>Full time pay</b>	<b>2013-14</b>
On earnings up to and including £19,800	5.50%
On earnings above £19,800 and up to £24,200	7.25%
On earnings above £24,200 and up to £33,200	8.50%
On earnings above £33,200 and up to £44,200	9.50%
On earnings above £44,200	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  $1/60^{\text{th}}$  of final pensionable salary and years of pensionable service (prior to 2009 the actual rate guaranteed a pension based on  $1/80^{\text{th}}$  and a lump sum based on  $3/80^{\text{th}}$  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 a consequence 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 2015 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 2015 £	For year to 31 March 2014 £		As at 31 March 2015 £	Difference from 31 March 2014 £
Councillor H Moonie	Provost	4,794	4,748	Pension	2,611	433
				Lump sum	1,510	55
Councillor B Grant	Senior Councillor(2)	4,232	4,191	Pension	794	41
				Lump sum	-	-
Councillor R Miller	Senior Councillor(2)	4,232	4,191	Pension	1,048	372
				Lump sum	-	-
Councillor R Reid	Senior Councillor(2)	4,232	4,191	Pension	1,137	374
				Lump sum	-	-
Councillor P Saxton	Senior Councillor(2)	4,232	4,191	Pension	2,292	382
				Lump sum	1,325	49
Councillor M Toner	Senior Councillor(2)	4,232	4,191	Pension	2,885	394
				Lump sum	1,668	4
Councillor I Cavana	Senior Councillor(1)	3,818	3,781	Pension	2,387	352
				Lump sum	1,380	20
Councillor B Connolly	Senior Councillor(1)	3,738	3,781	Pension	933	331
				Lump sum	-	-
Councillor K Darwent	Senior Councillor(1)	3,818	3,781	Pension	947	336
				Lump sum	-	-
Councillor J Hampton	Senior Councillor(1)	3,818	3,781	Pension	742	333
				Lump sum	-	-
Councillor M Kilpatrick	Senior Councillor(1)	3,818	3,781	Pension	2,600	356
				Lump sum	1,503	4
Councillor B McGinley	Senior Councillor(1)	3,818	3,781	Pension	947	336
				Lump sum	-	-
		<b>48,782</b>	<b>48,389</b>		<b>26,709</b>	<b>4,172</b>

*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.*

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 2015 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 2015 £	For year to 31 March 2014 £		As at 31 March 2015 £	Difference from 31 March 2014 £
E Howat	Chief Executive	23,952	23,952	Pension	50,792	2,409
				Lump Sum	115,057	731
D J Anderson	Former Chief Executive	-	3,391	Pension	-	-
				Lump Sum	-	-
V Andrews	Executive Director – Resources, Governance & Organisation	20,602	18,393	Pension	18,011	3,719
				Lump Sum	22,017	2,631
L Bloomer	Executive Director-Economy, Neighbourhood & Environment	20,602	20,406	Pension	24,825	2,007
				Lump Sum	50,513	500
H M Garland*	Executive Director – Care, Learning & Wellbeing	3,540	20,406	Pension	40,739	(1,944)
				Lump Sum	271,593	169,959
T Eltringham	Director of Health & Social Care Partnership	16,305	-	Pension	40,760	40,760
				Lump Sum	92,024	92,024
D Hutchison	Director of Educational Services	17,888	-	Pension	2,772	-
				Lump Sum	-	-
C Monaghan	Head of Policy, Community Planning & Public Affairs	14,855	14,714	Pension	7,481	1,344
				Lump Sum	-	-
M Baker	Head of Policy and Performance	4,633	-	Pension	344	-
				Lump Sum	-	-
H McLaughlin	Audit Services - Programme Review Manager	9,681	9,589	Pension	14,609	467
				Lump Sum	25,798	(246)
		<b>132,058</b>	<b>110,851</b>		<b>777,335</b>	<b>314,361</b>

\*Harry M Garland left the employment of South Ayrshire Council on 8 June 2014.

**c) Pension benefits of the Council's subsidiary bodies**

Name	Post title	In-year pension contributions			Accrued pension benefits	
		For year to 31 March 2015 £	For year to 31 March 2014 £		As at 31 March 2015 £	Difference from 31 March 2014 £
D Bell	Managing Director of Ayr Renaissance LLP	14,855	14,714	Pension	7,811	1,347
				Lump Sum	348	(4)
		<b>14,855</b>	<b>14,714</b>		<b>8,159</b>	<b>1,343</b>

## Exit packages of employees

The table below sets out the number and costs of exit packages for both 2014-2015 and 2013-2014 financial years. The in-year costs include redundancy, pay in lieu of notice, pension strain costs and compensatory lump sums. The table also includes notional values for Compensatory Added Years (CAY) pension payments, which represents the estimated present value of all future payments until death. This value is based on pension providers' actuarial assumptions on pensioner longevity and other factors. As such, these figures are subject to change and will not reflect actual costs incurred. Exit packages exclude any costs in relation to ill health retirements.

Exit package cost band (including special payments)	2014-2015			2013-2014		
	Number of exit packages	Cost	Notional CAY cost	Number of exit packages	Cost	Notional CAY cost
		£	£		£	£
£0 - £20,000	75	466,863	69,106	64	304,436	49,145
£20,001 - £40,000	13	234,999	124,420	13	184,892	180,325
£40,001 - £60,000	12	338,653	224,302	4	105,084	100,370
£60,001 - £80,000	5	261,821	86,791	5	263,321	88,256
> £80,001	5	515,724	212,806	2	127,648	57,981
<b>Total</b>	<b>110</b>	<b>1,818,060</b>	<b>717,425</b>	<b>88</b>	<b>985,381</b>	<b>476,077</b>

There were no compulsory redundancies during 2014-2015 or 2013-2014.



**Eileen Howat**  
Chief Executive

24 September 2015



**Councillor Bill McIntosh**  
Leader of the Council

24 September 2015

## Section 5: Core Financial Statements

### I) Movement in Reserves Statement for the year ended 31 March 2015

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

#### 2014-2015

	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
<b>Balance at 31 March 2014</b>	22,926	13,445	857	-	6,312	425	-	43,965	244,150	288,115
<b>Movement in reserves during 2014-2015</b>										
Surplus or (deficit) on the provision of services	6,628	(13,214)	-	-	-	-	-	(6,586)	-	(6,586)
Other comprehensive income and expenditure	-	-	-	-	-	(1,463)	-	(1,463)	13,802	12,339
<b>Total comprehensive income and expenditure</b>	6,628	(13,214)	-	-	-	(1,463)	-	(8,049)	13,802	5,753
Adjustments between accounting basis and funding basis (Note 7)	(3,456)	10,230	(108)	-	(442)	-	-	6,224	(6,224)	-
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	3,172	(2,984)	(108)	-	(442)	(1,463)	-	(1,825)	7,578	5,753
Transfers to/from earmarked reserves (Note 8)	(947)	-	-	-	(516)	1,463	-	-	-	-
<b>Increase/(decrease) in 2014-2015</b>	2,225	(2,984)	(108)	-	(958)	-	-	(1,825)	7,578	5,753
<b>Balance at 31 March 2015</b>	25,151	10,461	749	-	5,354	425	-	42,140	251,728	293,868

<b>2013-2014 Comparative figures</b>	<b>General fund balance £000</b>	<b>Housing revenue account balance £000</b>	<b>Capital Grants unapplied Account £000</b>	<b>Capital receipts reserve £000</b>	<b>Repair and renewal fund £000</b>	<b>Insurance fund £000</b>	<b>Capital fund £000</b>	<b>Total usable reserve £000</b>	<b>Unusable reserves £000</b>	<b>Total reserves £000</b>
<b>Revised Opening Balance as at 31 March 2013</b>	24,458	14,590	1,187	589	4,297	425	-	45,546	256,061	301,607
<b>Movement in reserves during 2013-2014</b>										
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
<b>Total comprehensive income and expenditure</b>	(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)	-
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	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	-	-	-	-
<b>Increase/(decrease) in 2013-2014</b>	(1,532)	(1,145)	(330)	(589)	2,015	-	-	(1,581)	(11,911)	(13,492)
<b>Balance at 31 March 2014</b>	22,926	13,445	857	-	6,312	425	-	43,965	244,150	288,115

## II) Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

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*.

2013-2014			Note	2014-2015		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
16,500	11,870	4,630		16,402	14,585	1,817
20,728	6,990	13,738		22,223	6,695	15,528
112,564	3,717	108,847		108,382	4,121	104,261
17,450	3,129	14,321		17,924	3,267	14,657
24,203	27,583	(3,380)		28,994	29,333	(339)
46,597	41,136	5,461		49,817	42,515	7,302
8,437	4,461	3,976		6,729	3,907	2,822
14,291	1,789	12,502		12,690	69	12,621
87,174	13,996	73,178		88,574	15,175	73,399
3,240	110	3,130		3,445	126	3,319
1,681	-	1,681		3,325	211	3,114
<b>352,865</b>	<b>114,781</b>	<b>238,084</b>		<b>358,505</b>	<b>120,004</b>	<b>238,501</b>
		11,477				13,286
		14,517				14,408
		(590)				(499)
		5,274	33			6,026
			27			
		(159,631)				(159,766)
		(9,727)				(17,010)
		(39,642)				(43,134)
		(45,282)				(45,226)
		<b>14,480</b>				<b>6,586</b>
		(16,855)				(45,484)
		38				(60)
		14,507	20			31,742
		1,322				1,463
		<b>(988)</b>				<b>(12,339)</b>
		<b>13,492</b>				<b>(5,753)</b>

**III) Balance Sheet as at 31 March 2015**

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 2014 £000		Note	£000	31 March 2015 £000
643,234	Property, plant and equipment	9	681,454	
2,549	Heritage assets	10	2,549	
54	Intangible assets	11	29	
695	Long term investments	12	756	
63	Long-term debtors	12	62	
<b>646,595</b>	<b>Long-term assets</b>			<b>684,850</b>
42,000	Short-term investments	12	50,000	
3,157	Assets held for sale	16	3,157	
681	Inventories	13	423	
21,708	Short-term debtors	14	17,743	
11,940	Cash and cash equivalents	15	22,411	
<b>79,486</b>	<b>Current assets</b>			<b>93,734</b>
(4,066)	Short-term borrowing	12	(6,851)	
(40,012)	Short-term creditors	17	(51,836)	
(727)	Provisions	18	(1,240)	
(8,490)	Other short-term liabilities	19	(7,846)	
<b>(53,295)</b>	<b>Current liabilities</b>			<b>(67,773)</b>
(5,469)	Provisions	18	(5,221)	
(178,096)	Long-term borrowing	12	(171,237)	
(2,736)	Other long-term liabilities (finance leases)	30	(2,415)	
(138,177)	Other long-term liabilities (pensions)	33	(180,080)	
(60,193)	Other long-term liabilities	12	(57,990)	
<b>(384,671)</b>	<b>Long-term Liabilities</b>			<b>(416,943)</b>
<b>288,115</b>	<b>Net assets</b>			<b>293,868</b>
43,965	Usable reserves			42,140
244,150	Unusable reserves	20		251,728
<b>288,115</b>	<b>Total reserves</b>			<b>293,868</b>

The unaudited Annual Accounts were issued on 23 June 2015 and the audited Annual Accounts were authorised for issue on 24 September 2015.



**Tim Baulk BA Acc CPFA**  
**Head of Finance and ICT**

**24 September 2015**



**IV) Cash Flow Statement for the year ended 31 March 2015**

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.

2013-2014 £000		Note	£000	2014-2015 £000
14,480	<b>Net (surplus) or deficit on the provision of services</b>			<b>6,586</b>
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>			
(26,770)	Depreciation & impairment of fixed assets		(22,498)	
(66)	Amortisation of intangible assets		(26)	
2,352	(Increase)/Decrease in creditors		(9,408)	
2,557	Increase/(Decrease) in debtors		(3,966)	
85	Increase/(Decrease) in inventories		(258)	
(7,616)	Pension liability		(10,161)	
(12,619)	Carrying amount of non-current assets sold		(15,437)	
4,734	Other non-cash items		17,915	
(37,343)	<b>Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities</b>			<b>(43,839)</b>
1,142	Proceeds from sale of property, plant and equipment, investment property and intangible assets			2,151
(21,721)	<b>Net cash flows from operating activities</b>			<b>(35,102)</b>
30,449	Investing activities	22		17,792
11,705	Financing Activities	23		6,839
20,433	<b>Net (increase) or decrease in cash and cash equivalents</b>			<b>(10,471)</b>
(32,373)	Cash and cash equivalents at the beginning of the reporting period			<b>(11,940)</b>
<b>(11,940)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	15		<b>(22,411)</b>

## 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 2014-2015 financial year and its position at the year end of 31 March 2015. 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 2014-2015* 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 and is currently in the initial year of its second phase which ends on 31<sup>st</sup> March 2019. 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.

#### 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 Annual Accounts irrespective of when payment was made. The Council has made provision for the costs of any potential employee related claims. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year.

##### Termination benefits

Termination benefits are amounts payable 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.

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 Annual 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 Annual 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 Annual 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 where 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 Statement 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 Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient, as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the Comprehensive Income and Expenditure Statement.

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



### 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 House Galleries, 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 the Council's inception, 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 House Galleries 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 these 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 2014-2015 (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 2014-2015* 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 are 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 Statement. This de minimis does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

In respect of Component accounting, the assessment of which components are recognised and depreciated separately is based upon the costs of each component. Significance will be determined by comparing the components cost against the overall cost of an asset. The threshold for a significant component shall be 25% of the overall cost of the asset but only where the overall value of the asset is in excess of £1.000m.

## Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure, community assets, and assets under construction: depreciated historical cost
- dwellings: 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 47 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 held in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

### Contingent assets and liabilities

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

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts where they are deemed material.

## 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 2015-2016 Code:

- IFRS 13 Fair Value Measurement (May 2011)
- Annual Improvements to IFRSs 2011-2013 Cycle
- IFRIC 21 Levies

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014-2015 financial statements.

Issues included in the Annual Improvements to IFRSs 2011-2013 cycle are:

- IFRS 1: Meaning of effective IFRSs;
- IFRS 3: Scope exceptions for joint ventures;
- IFRS 13: Scope of paragraph 52 (portfolio exception); and
- IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property where classifying property as an investment property or owner-occupied property

## 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 Annual 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 considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the Council's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 35.
- 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 2015 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 2014-2015 financial statements in respect of this is £4.193m.
- Two Joint Boards (Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Board) were included within the Group Accounts for 2014-2015 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 Annual 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 2015 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 £5.102m 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 £0.510m 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 £88.733m in the pension liability, equating to an 11% 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 2015, the Council had a balance of gross debtors (excluding council tax, community charge and non-domestic rate income) of £21.080m. A review of significant balances suggested that an allowance for doubtful debts of £5.444m representing 25.8% 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 £0.211m.

**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 2014-2015 there were no material items of income and expense requiring additional disclosure.

**Note 6 Events after the Balance Sheet date**

The Annual Accounts were authorised for issue on 24 September 2015. Where events which took place before this date provided information about conditions which existed at 31 March 2015, 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 Statement recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the usable reserves that the adjustments are made against.

**General Fund**

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

**Housing Revenue Account balance**

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

**Capital Grants Unapplied Account**

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

**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.

2014-15	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Capital receipts reserve £000	Repairs & renewals fund £000	Net movement £000
<b>Adjustments primarily involving the capital grants unapplied account:</b>						
Application of grants to capital financing transferred to the capital adjustment account	-	-	108	-	442	(550)
<b>Adjustments primarily involving the capital adjustment account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>						
Charges for depreciation and impairment of non-current assets	(10,394)	(12,104)	-	-	-	22,498
Amortisation of intangible assets	(26)	-	-	-	-	26
Capital grants and contributions applied	13,892	3,118	-	-	-	(17,010)
Revenue expenditure funded from capital under statute	(375)	-	-	-	-	375
Net gain or (loss) on sale of non-current assets	(91)	(13,195)	-	-	-	13,286
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	9,291	2,108	-	-	-	(11,399)
Capital expenditure charged against the general fund and HRA balances	837	10,073	-	-	-	(10,910)
<b>Adjustments primarily involving the financial instruments adjustment account:</b>						
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	248	125	-	-	-	(373)
<b>Adjustments primarily involving the employee benefit statutory mitigation account:</b>						
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	(108)	(12)	-	-	-	120
<b>Adjustments primarily involving the pensions reserve:</b>						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 34)	(9,818)	(343)	-	-	-	10,161
<b>Total adjustments</b>	<b>3,456</b>	<b>(10,230)</b>	<b>108</b>	<b>-</b>	<b>442</b>	<b>6,224</b>

Figures for restated 2013-2014 are provided in an additional table below for the purposes of comparison.

2013-2014 comparative information	General fund balance £000	Housing revenue account balance £000	Capital grants unapplied account £000	Capital receipts reserve £000	Repairs & renewals fund £000	Net movement £000
<b>Adjustments primarily involving the capital grants unapplied account:</b>						
Application of grants to capital financing transferred to the capital adjustment account	-	-	963	589	-	(1,552)
<b>Adjustments primarily involving the capital adjustment account:</b>						
<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)
<b>Adjustments primarily involving the financial instruments adjustment account:</b>						
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)
<b>Adjustments primarily involving the employee benefit statutory mitigation account:</b>						
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)
<b>Adjustments primarily involving the pensions reserve:</b>						
Reversal of items in relation to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 34)	(7,452)	(164)	-	-	-	7,616
<b>Total adjustments</b>	<b>(6,034)</b>	<b>(9,106)</b>	<b>330</b>	<b>589</b>	<b>-</b>	<b>14,221</b>

### 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 2014-2015. Figures for 2013-2014 are provided in an additional table below for the purposes of comparison.

#### 2014-2015

	General Fund Balance	Transfers to or from Other Statutory Reserves		
		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	516	(516)	-	-
Contribution to Insurance Fund from General Fund	(1,463)	-	1,463	-
<b>Total adjustments</b>	<b>(947)</b>	<b>(516)</b>	<b>1,463</b>	<b>-</b>

#### 2013-2014 comparative information

	General Fund Balance	Transfers to or from Other Statutory Reserves		
		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	(2,015)	2,015	-	-
Contribution to Insurance Fund from General Fund	(1,322)	-	1,322	-
<b>Total adjustments</b>	<b>(3,337)</b>	<b>2,015</b>	<b>1,322</b>	<b>-</b>

## Note 9 Property, plant and equipment

### Movement on balances

The movements on balances for Property, plant and equipment are shown in the following table.

2014-2015

	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
<b>Cost or valuation</b>									
At 1 April 2014	260,738	310,555	75,140	21,990	60,186	397	4,357	2,969	736,332
Additions in year	12,154	7,619	-	654	1,559	-	-	8,556	30,542
Disposals in year	(15,733)	(870)	-	-	-	-	-	-	(16,603)
Revaluation adjustments to revaluation reserve	921	4,338	91	-	-	-	-	-	5,350
Revaluation adjustments to CIES	629	(785)	-	(37)	-	-	-	(28)	(221)
Other reclassifications	-	1,339	-	(21)	15	-	-	(1,333)	-
<b>At 31 March 2015</b>	<b>258,709</b>	<b>322,196</b>	<b>75,231</b>	<b>22,586</b>	<b>61,760</b>	<b>397</b>	<b>4,357</b>	<b>10,164</b>	<b>755,400</b>
<b>Depreciation and impairment</b>									
At 1 April 2014	40,688	18,853	1,549	15,456	16,279	-	273	-	93,098
Depreciation charge for the year	12,299	5,229	1,533	1,483	1,534	-	54	-	22,132
Impairment losses to revaluation reserve	(40,196)	(27)	-	-	-	-	-	-	(40,223)
Impairment losses to CIES	105	-	-	-	-	-	-	-	105
On disposals	(1,136)	(30)	-	-	-	-	-	-	(1,166)
Other reclassifications	-	-	-	-	-	-	-	-	-
<b>At 31 March 2015</b>	<b>11,760</b>	<b>24,025</b>	<b>3,082</b>	<b>16,939</b>	<b>17,813</b>	<b>-</b>	<b>327</b>	<b>-</b>	<b>73,946</b>
<b>Balance Sheet amount at 31 March 2015</b>	<b>246,949</b>	<b>298,171</b>	<b>72,149</b>	<b>5,647</b>	<b>43,947</b>	<b>397</b>	<b>4,030</b>	<b>10,164</b>	<b>681,454</b>
<b>Nature of asset holding</b>									
Owned	246,949	296,344	-	4,737	43,947	397	4,030	10,164	606,568
Finance lease	-	1,827	-	910	-	-	-	-	2,737
PPP	-	-	72,149	-	-	-	-	-	72,149
	<b>246,949</b>	<b>298,171</b>	<b>72,149</b>	<b>5,647</b>	<b>43,947</b>	<b>397</b>	<b>4,030</b>	<b>10,164</b>	<b>681,454</b>

## 2013-2014

## 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
<b>Cost or valuation</b>									
At 1 April 2013	261,511	291,995	76,459	20,532	58,502	364	4,793	6,025	720,181
Additions 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)	-
<b>At 31 March 2014</b>	<b>260,738</b>	<b>310,555</b>	<b>75,140</b>	<b>21,990</b>	<b>60,186</b>	<b>397</b>	<b>4,357</b>	<b>2,969</b>	<b>736,332</b>
<b>Depreciation and impairment</b>									
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	-	-	-	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>40,688</b>	<b>18,853</b>	<b>1,549</b>	<b>15,456</b>	<b>16,279</b>	<b>-</b>	<b>273</b>	<b>-</b>	<b>93,098</b>
<b>Balance Sheet amount at 31 March 2014</b>	<b>220,050</b>	<b>291,702</b>	<b>73,591</b>	<b>6,534</b>	<b>43,907</b>	<b>397</b>	<b>4,084</b>	<b>2,969</b>	<b>643,234</b>
<b>Nature of asset holding</b>									
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
	<b>220,050</b>	<b>291,702</b>	<b>73,591</b>	<b>6,534</b>	<b>43,907</b>	<b>397</b>	<b>4,084</b>	<b>2,969</b>	<b>643,234</b>

## Depreciation

As highlighted in Note 1 Accounting policies under "Property, plant and equipment" on page 36, 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:

<b>Category</b>	<b>Sub Category</b>	<b>Useful life (years)</b>	<b>Valuer</b>	<b>Basis of Valuation</b>	<b>Date of last full valuation</b>
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	~	22	DVS Property Specialists	Net Realisable Value 'Beacon Principle' (EUVSH)	31-Mar-15
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 and equipment during the year.

## Commitments under capital contracts

In December 2014, the Council approved capital investment programmes for both General Services and Housing for 2015-2016 for construction or enhancement of property, plant and equipment, as outlined in the table below.

	<b>General Services £000</b>	<b>Housing £000</b>	<b>Total £000</b>
<b>Expenditure</b>			
Capital investment	32,644	20,374	53,018
	<b>32,644</b>	<b>20,374</b>	<b>53,018</b>
<b>Sources of finance</b>			
Prudential borrowing	16,684	5,380	22,064
Capital grants, contributions and other receipts	15,960	4,897	20,857
Capital funded from current revenue	-	10,097	10,097
	<b>32,644</b>	<b>20,374</b>	<b>53,018</b>



### Revaluation programme

The following statement shows the progress of the Council's programme for the revaluation of property, plant and equipment, which ensures all such 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 and equipment" on page 36.

	Council Dwellings	Other Land and Buildings	School PPP Assets	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus assets not for Sale	Assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Carried at historic cost:</b>	230	53,485	601	22,565	61,760	324	565	10,164	149,694
<b>Valued at fair value as at:</b>									
31-Mar-15	258,479	318	-	-	-	-	9	-	258,806
31-Mar-14	-	32,874	74,630	-	-	25	1,541	-	109,070
31-Mar-13	-	30,188	-	21	-	34	82	-	30,325
31-Mar-12	-	8,813	-	-	-	10	197	-	9,020
31-Mar-11	-	196,518	-	-	-	4	1,963	-	198,485
	<b>258,709</b>	<b>322,196</b>	<b>75,231</b>	<b>22,586</b>	<b>61,760</b>	<b>397</b>	<b>4,357</b>	<b>10,164</b>	<b>755,400</b>

### Note 10 Heritage assets

<i>Valuation</i>	Fine Arts	Other Heritage Assets	Civic Regalia	Total Heritage Assets
	£000	£000	£000	£000
<b>1 April 2014</b>	<b>1,514</b>	<b>1,001</b>	<b>34</b>	<b>2,549</b>
Movements during the year	-	-	-	-
<b>31 March 2015</b>	<b>1,514</b>	<b>1,001</b>	<b>34</b>	<b>2,549</b>
<b>1 April 2013</b>	<b>1,514</b>	<b>1,001</b>	<b>34</b>	<b>2,549</b>
Movements during the year	-	-	-	-
<b>31 March 2014</b>	<b>1,514</b>	<b>1,001</b>	<b>34</b>	<b>2,549</b>

### 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 civic effects

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

Robert Horn, March 2010

**Note 11 Intangible assets**

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

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 2015	31 March 2014
	<b>Purchased Software Licenses</b>	<b>Purchased Software Licenses</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at start of year:</b>		
Gross carrying amounts	937	937
Accumulated amortisation	(883)	(817)
<b>Net carrying amount at start of year</b>	<b>54</b>	<b>120</b>
<b>Additions:</b>		
Purchases	-	-
Reclassifications	-	-
Amortisation for the period	(25)	(66)
<b>Net carrying amount at end of the year</b>	<b>29</b>	<b>54</b>
<b>Comprising:</b>		
Gross carrying amounts	937	937
Accumulated amortisation	(908)	(883)
	<b>29</b>	<b>54</b>

**Note 12 Financial instruments****Categories of financial instrument**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March 2015</b>	<b>31 March 2014</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments</b>				
Loans and receivables	-	-	50,000	42,000
Available for sale financial assets	756	695	-	-
<b>Total investments</b>	<b>756</b>	<b>695</b>	<b>50,000</b>	<b>42,000</b>
<b>Debtors</b>				
Loans and receivables	62	63	-	24
Financial assets carried at contract amounts	-	-	17,592	21,684
<b>Total debtors</b>	<b>62</b>	<b>63</b>	<b>17,592</b>	<b>21,708</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	171,237	178,096	6,851	4,066
<b>Total borrowings</b>	<b>171,237</b>	<b>178,096</b>	<b>6,851</b>	<b>4,066</b>
<b>Other long term liabilities</b>				
Finance lease liabilities	2,415	2,736	322	315
PPP	57,990	60,193	3,900	4,095
<b>Total other long term liabilities</b>	<b>60,405</b>	<b>62,929</b>	<b>4,222</b>	<b>4,410</b>
<b>Creditors</b>				
Financial liabilities carried at contract amount			51,723	40,012
<b>Total Creditors</b>			<b>51,723</b>	<b>40,012</b>

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

### 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, expense, gains and losses for financial instruments recognised in the Comprehensive Income and Expenditure Statement are made up as follows:

	2014-2015				2013-2014			
	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	14,408	-	-	14,408	14,524	-	-	14,524
Impairment losses/(rebate)	-	-	-	-	(7)	-	-	(7)
<b>Interest payable and similar charges in surplus or deficit on the provision of services</b>	<b>14,408</b>	<b>-</b>	<b>-</b>	<b>14,408</b>	<b>14,517</b>	<b>-</b>	<b>-</b>	<b>14,517</b>
Interest income	-	(499)	-	(499)	-	(590)	-	(590)
<b>Interest and investment income in surplus or deficit on the provision of services</b>	<b>-</b>	<b>(499)</b>	<b>-</b>	<b>(499)</b>	<b>-</b>	<b>(590)</b>	<b>-</b>	<b>(590)</b>
(Gains) or losses on revaluation	-	-	(61)	(61)	-	-	38	38
<b>Surplus or deficit arising from revaluation of financial assets in other comprehensive income and expenditure</b>	<b>-</b>	<b>-</b>	<b>(61)</b>	<b>(61)</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>38</b>
<b>Net (gain) or loss for the year</b>	<b>14,408</b>	<b>(499)</b>	<b>(61)</b>	<b>13,848</b>	<b>14,517</b>	<b>(590)</b>	<b>38</b>	<b>13,965</b>

### Fair values of assets and liabilities

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

- For loans from the Public Works Loan Board (PWLb) new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- 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 2015		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>				
PWLB	128,991	167,564	133,057	148,630
Market Debt	49,098	61,809	49,105	51,050
<b>Sub Total Borrowing</b>	<b>178,089</b>	<b>229,373</b>	<b>182,162</b>	<b>199,680</b>
PPP liability	61,890	61,890	64,288	64,288
Short Term Finance Lease Liability	322	322	315	315
Long Term Finance Lease Liability	2,415	2,415	2,736	2,736
Short Term Creditors	51,723	51,723	40,012	40,012
	<b>116,350</b>	<b>116,350</b>	<b>107,351</b>	<b>107,351</b>
<b>Total Liabilities</b>	<b>294,439</b>	<b>345,723</b>	<b>289,513</b>	<b>307,031</b>

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 shows a notional future gain/loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

PPP debt liability and Finance Lease liability lies with the provider, not the Council therefore the fair value is valued on the same basis as the carrying amount for disclosure purposes.

	31 March 2015		31 March 2014	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Long-term investments: Freeport	756	756	695	695
Investments	50,000	50,199	42,000	42,196
Long term debtors	62	62	63	63
Other debtors			24	24
Current asset debtors	17,592	17,592	21,684	21,684
	<b>68,410</b>	<b>68,609</b>	<b>64,466</b>	<b>64,662</b>

The fair value of the assets 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 in the market at the Balance Sheet date. This shows a notional future loss/gain (based on economic conditions at 31 March 2015) arising from a commitment to receive interest from borrowers above current market rate.

**Note 13 Inventories**

	Consumable Stores		Maintenance Materials		Property Acquired or Constructed for Sale		Total	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	308	227	285	292	88	77	681	596
Purchases	1,132	1,590	1,017	1,068	1,325	1,377	3,474	4,035
Recognised as an expense in year	(1,258)	(1,509)	(1,078)	(1,076)	(1,336)	(1,358)	(3,672)	(3,943)
Written off balances	(53)	-	(7)	1	-	(8)	(60)	(7)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance outstanding at year end</b>	<b>129</b>	<b>308</b>	<b>217</b>	<b>285</b>	<b>77</b>	<b>88</b>	<b>423</b>	<b>681</b>

Inventory value has significantly reduced due to the transfer of inventories to Ayrshire Roads Alliance.

**Note 14 Debtors**

	31 March 2015	31 March 2014
	£000	£000
Central government bodies	4,352	3,841
Other local authorities	656	930
NHS bodies	102	2,263
Trade debtors	7,370	8,785
Other entities and individuals	2,983	1,562
Non domestic rates	-	1,784
Council tax	2,106	2,359
Accrued interest on investments	174	160
<b>Total</b>	<b>17,743</b>	<b>*21,684</b>

\*The amount shown in the Balance Sheet for debtors as at 31 March 2014 on page 26 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 15 Cash and cash equivalents**

	31 March 2015	31 March 2014
	£000	£000
Cash held by the authority	47	43
Bank current accounts	(3,336)	(903)
Short term deposits with banks and other local authorities	25,700	12,800
<b>Total cash and cash equivalents</b>	<b>22,411</b>	<b>11,940</b>

**Note 16 Assets held for sale**

	31 March 2015	31 March 2014
	£000	£000
Balance outstanding at start of year	3,157	3,157
Assets newly classified as held for sale: Property, plant and equipment	-	-
Revaluation gains	-	-
Assets disposed	-	-
<b>Balance outstanding at year end</b>	<b>3,157</b>	<b>3,157</b>

**Note 17 Creditors**

	31 March 2015	31 March 2014
	£000	£000
Central government bodies	4,048	4,246
Other local authorities	1,893	264
NHS bodies	553	747
Trade creditors	35,618	28,994
Other entities and individuals	2,415	3,342
Non domestic rates	4,821	-
Council tax	150	-
Accrued interest on borrowings	2,338	2,419
<b>Total</b>	<b>51,836</b>	<b>40,012</b>

**Note 18 Provisions**

	Employee related claims	Business and other grant payments outstanding	Outstanding insurance costs	Total
	£000	£000	£000	£000
<b>Balance as at 1 April 2014</b>	<b>5,327</b>	<b>727</b>	<b>142</b>	<b>6,196</b>
Additional/(reduced) provisions made in 2014-2015	-	657	13	670
Amounts used in 2014-2015	(225)	(144)	(36)	(405)
<b>Balance as at 31 March 2015</b>	<b>5,102</b>	<b>1,240</b>	<b>119</b>	<b>6,461</b>

**Employee related claims**

The Council has made a provision in respect of a number of employee related potential claims outstanding at 31 March 2015.

**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 19 Other short term liabilities**

	31 March 2015	31 March 2014
	£000	£000
Public Private Partnership (PPP)	3,901	4,095
Amounts owed to Common Good	2,157	2,672
Amounts owed to Trusts and others	1,466	1,408
Finance Lease	322	315
	<b>7,846</b>	<b>8,490</b>

## Note 20 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 2015	31 March 2014
	£000	£000
Revaluation reserve	174,039	131,850
Capital adjustment account	274,641	267,663
Financial Instrument adjustment account	(13,394)	(13,767)
Available for sale financial instruments reserve	715	654
Pension reserve	(180,080)	(138,177)
Employee statutory mitigation account	(4,193)	(4,073)
	<b>251,728</b>	<b>244,150</b>

#### 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.

	2014-2015	2013-2014
	£000	£000
<b>Balance at 1 April</b>	<b>131,850</b>	<b>117,161</b>
Upward revaluation of assets	51,184	17,416
Downward valuation of assets and impairment losses not charged to the surplus/(deficit) on the Provision of Services	(5,702)	(562)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or (deficit) on the Provision of Services	<b>45,482</b>	<b>16,854</b>
Difference between fair value depreciation and historical cost depreciation	(1,687)	(1,184)
Accumulated gains on assets sold or scrapped	(1,606)	(981)
Amount written off to the Capital Adjustment Account	<b>(3,293)</b>	<b>(2,165)</b>
<b>Balance at 31 March</b>	<b>174,039</b>	<b>131,850</b>

#### b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements of accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 on page 43 details the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2014-2015 £000	2013-2014 £000
<b>Balance at 1 April</b>	<b>267,663</b>	<b>272,803</b>
<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	(22,498)	(26,770)
Amortisation of intangible assets	(25)	(66)
Revenue expenditure funded from capital under statute	(375)	(259)
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	(13,286)	(11,477)
	<hr/> (36,184)	<hr/> (38,572)
Adjusting amounts written out of the revaluation reserve	3,293	2,165
Net written out amount of the cost of non-current assets consumed in the year	<hr/> (32,891)	<hr/> (36,407)
<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	17,010	9,094
Application of grants to capital financing from the capital grants unapplied account/repairs and renewals fund	550	1,553
Statutory provision for the financing of capital investment charged against the general fund and HRA balances	11,399	10,042
Capital expenditure charged against the general fund and HRA balances	10,910	10,578
<b>Balance at 31 March</b>	<b>274,641</b>	<b>267,663</b>

### 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.

	2014-2015 £000	2013- 2014 £000
<b>Balance at 1 April</b>	<b>(13,767)</b>	<b>(14,140)</b>
Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	366	366
Fair value effective interest rate adjustment in line with statutory requirements	7	7
	<hr/> 373	<hr/> 373
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement	<hr/> (13,394)	<hr/> (13,767)
<b>Balance at 31 March</b>		



**d) Available for Sale Financial Instruments 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

	2014-2015 £000	2013- 2014 £000
<b>Balance at 1 April</b>	<b>654</b>	<b>693</b>
Upward/(downward) revaluation of investments	61	(39)
<b>Balance at 31 March</b>	<b>715</b>	<b>654</b>

**e) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes 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 has been set aside by the time the benefits are paid.

	2014-2015 £000	2013-2014 £000
<b>Balance at 1 April</b>	<b>(138,177)</b>	<b>(116,054)</b>
Re-measurement of the net defined benefit asset	(31,742)	(14,507)
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	(25,212)	(21,544)
Employer's pension contributions and direct payments	15,051	13,928
<b>Balance at 31 March</b>	<b>(180,080)</b>	<b>(138,177)</b>

**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.

	2014-2015 £000	2013-2014 £000
<b>Balance at 1 April</b>	<b>(4,073)</b>	<b>(4,402)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4,073	4,402
Amounts accrued at the end of the current year	(4,193)	(4,073)
<b>Balance at 31 March</b>	<b>(4,193)</b>	<b>(4,073)</b>

**Note 21 Cash Flow Statement – operating activities**

The cash flows from operating activities included the following items:

	2014-2015 £000	2013-2014 £000
Interest received	(479)	(906)
Interest paid	13,592	14,302
<b>Total cash and cash equivalents</b>	<b>13,113</b>	<b>13,396</b>

**Note 22 Cash Flow Statement – investing activities**

	2014-2015 £000	2013-2014 £000
Property, plant and equipment, investment property and intangible assets	28,977	30,497
Purchase of short term and long term investments	8,000	12,000
Other payments for investing activities	-	333
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,151)	(1,142)
Proceeds from short term and long term investments	(24)	(2,145)
Other receipts from investing activities	(17,010)	(9,094)
<b>Net cash flows from investing activities</b>	<b>17,792</b>	<b>30,449</b>

**Note 23 Cash Flow Statement – financing activities**

	2014-2015 £000	2013-2014 £000
Cash receipts of short and long term borrowing	-	10,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	151	201
Repayments of short and long term borrowing	2,622	1,369
Other payments for financing activities	4,066	135
<b>Net cash flows from financing activities</b>	<b>6,839</b>	<b>11,705</b>

**Note 24 Amounts reported for resource allocation decisions**

The standard service groups shown on the face of the Comprehensive Income and Expenditure Statement 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, four 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 Annual Accounts.

	Chief Executive's Strategic Office	Educational Services	Economy, Neighbourhood & Environment	Social Care	Resources, Governance & Organisation	Miscellaneous Services	Total
2014-2015	£000	£000	£000	£000	£000	£000	£000
Grants, fees, charges & other service income	(912)	(2,442)	(32,354)	(15,169)	(64,870)	(25,202)	(140,949)
<b>Total Income</b>	<b>(912)</b>	<b>(2,442)</b>	<b>(32,354)</b>	<b>(15,169)</b>	<b>(64,870)</b>	<b>(25,202)</b>	<b>(140,949)</b>
Employee expenses	1,273	66,636	34,612	22,411	18,329	3,076	146,337
Other service expenses	264	28,336	31,701	8,704	13,850	31,063	113,918
Payments to third parties	-	2,165	24,022	56,899	2,230	1,406	86,722
Transfer payments	-	190	845	65	38,772	-	39,872
<b>Total Expenditure</b>	<b>1,537</b>	<b>97,327</b>	<b>91,180</b>	<b>88,079</b>	<b>73,181</b>	<b>35,545</b>	<b>386,849</b>
<b>Net expenditure</b>	<b>625</b>	<b>94,885</b>	<b>58,826</b>	<b>72,910</b>	<b>8,311</b>	<b>10,343</b>	<b>245,900</b>

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

In 2013-2014 the Council took the decision to restructure (as shown in the titles in the table above) the service directorates. The 2013-2014 comparator information has not been restated to reflect 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 2013-14.

#### **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.

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
Net expenditure in the directorate analysis	245,900	246,087
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(7,399)	(8,003)
<b>Cost of Services in the Comprehensive Income and Expenditure Statement</b>	<b>238,501</b>	<b>238,084</b>

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
<b>2014-2015</b>					
Grants, fees, charges and other service income	(140,949)	(16,161)	(157,110)	-	(157,110)
Interest and investment Income	-	-	-	(499)	(499)
Income from council tax	-	-	-	(45,226)	(45,226)
Government grants and contributions	-	-	-	(219,909)	(219,909)
<b>Total income</b>	<b>(140,949)</b>	<b>(16,161)</b>	<b>(157,110)</b>	<b>(265,634)</b>	<b>(422,744)</b>
Employee expenses	146,337	3,736	150,073	-	150,073
Other service expenses	113,917	4,834	118,751	-	118,751
Payments to third parties	86,723	107	86,830	-	86,830
Transfer payments	39,872	85	39,957	-	39,957
Interest Payments	-	-	-	14,407	14,407
Pension interest cost and expected return on pension assets	-	-	-	6,026	6,026
(Gain) or loss on the disposal of fixed assets	-	-	-	13,286	13,286
<b>Total expenditure</b>	<b>386,849</b>	<b>8,762</b>	<b>395,611</b>	<b>33,719</b>	<b>429,330</b>
<b>Surplus or deficit on the provision of services</b>	<b>245,900</b>	<b>(7,399)</b>	<b>238,501</b>	<b>(231,915)</b>	<b>6,586</b>

	Directorate Analysis £000	Amounts not included in Income and Expenditure £000	Cost of Services £000	Corporate amounts £000	Total £000
<b>2013-2014</b>					
Grants, fees, charges and 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)
<b>Total Income</b>	<b>(122,848)</b>	<b>(19,390)</b>	<b>(142,238)</b>	<b>(254,872)</b>	<b>(397,110)</b>
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
(Gain) or loss on the disposal of fixed assets	-	-	-	11,477	11,477
<b>Total Expenditure</b>	<b>368,935</b>	<b>11,387</b>	<b>380,322</b>	<b>31,268</b>	<b>411,590</b>
<b>Surplus or deficit on the provision of services</b>	<b>246,087</b>	<b>(8,003)</b>	<b>238,084</b>	<b>(223,604)</b>	<b>14,480</b>

### Note 25 Agency services

The Council billed and collected domestic water and sewerage charges on behalf of Scottish Water with its own Council Tax. During 2014-2015 the Council collected and paid over £17.502m and received £0.405m for providing this service.

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2014-2015 the Council billed £39.792m on their behalf and received £43.134m in income from the Non-Domestic Rates Pool.

**Note 26 External audit cost**

The Council has incurred costs of £0.274m in respect of fees payable to Audit Scotland with regard to external audit services carried out in 2014-2015 (£0.272m 2013-2014).

**Note 27 Grant income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014-2015:

	31 March 2015 £000	31 March 2014 £000
<b>Credited to taxation and non-specific grant income</b>		
Revenue support grant	159,766	159,631
Receipted capital income	17,010	9,727
Non-domestic rates income	43,134	39,642
Council tax and community charge income	45,226	45,282
<b>Total</b>	<b>265,136</b>	<b>254,282</b>

	31 March 2015 £000	31 March 2014 £000
<b>Credited to services</b>		
Burns Festival	83	25
DWP	38,596	38,077
Education	1,650	1,104
EMA	25	25
Health Authorities	130	7
Leader	744	1,537
Modern Apprentices	184	189
NHS Alcohol & Drug Misuse	599	568
Other Grants and Contributions	405	148
Police	30	30
PSHG	50	722
School Milk	46	52
Social Work	3,505	2,253
Townscape Heritage Initiative	244	398
Food Waste	229	173
<b>Total</b>	<b>46,520</b>	<b>45,308</b>

<b>Note 28 Related parties</b>
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The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

**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 2014-2015 are shown in the Remuneration Report. During 2014-2015 works and services to the value of £0.395m were commissioned from companies in which two members had an interest. Contracts were entered into in full compliance with the Council's standing orders. During 2014-2015 there were no grants paid to voluntary organisations wherein Members of the Council had an interest. Details of the transactions during 2014-2015 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** – During 2014-15 Donald Gillies, Head of Property and Risk and Mark Hastings, Enterprise Manager declared an interest in Freeport Scotland Ltd as directors. Freeport Scotland is a joint venture by a number of prominent organisations both within Ayrshire and beyond. Donald Gillies and Mark Hastings were both appointed by The Council as directors of the company and the Council has a 37% share in the company in which lease income of £3,470 was received during 2014-15.

There was no management fee during 2014-15.

**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 £9.681m during 2014-2015. One Councillor holds the position of non-executive director of NHS Ayrshire & Arran Board.

**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 LLP** - 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 to 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 Section 11 Trust Funds on pages 86 to 89.

## Note 29 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 2015		31 March 2014
	£000	£000	£000
<b>Opening capital financing requirement</b>		<b>247,282</b>	<b>249,796</b>
<b>Capital investment</b>			
Property, plant and equipment	30,575		28,250
Equipment funded through finance lease	-		1,885
Intangible assets	-		-
		<b>30,575</b>	<b>30,135</b>
<b>Sources of finance</b>			
Capital Receipts		(2,151)	(1,731)
Government grant and other contributions		(17,560)	(10,057)
Capital funded from current revenue		(10,535)	(10,312)
Repayment of PPP/finance lease		(2,713)	(3,255)
Loans fund principal repayments		(8,596)	(7,294)
<b>Closing capital financing requirement</b>		<b>236,302</b>	<b>247,282</b>
<b>Explanation of movements during the year</b>			
Increase/(reduction) in the underlying need to borrow		(8,267)	(1,144)
Increase/(decrease) in finance lease obligations		(315)	753
Increase/(decrease) in PPP finance lease creditor		(2,398)	(2,123)
<b>Increase/(decrease) in capital financing requirement</b>		<b>(10,980)</b>	<b>(2,514)</b>

## Note 30 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 2015	31 March 2014
	£000	£000
Property, plant and equipment	<b>2,682</b>	<b>2,996</b>

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

	31 March 2015	31 March 2014
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	322	315
Non-Current	2,415	2,736
Finance costs payable in future years	83	116
<b>Minimum lease payments</b>	<b>2,820</b>	<b>3,167</b>

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

	Minimum lease payments		Finance lease liabilities	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
No later than one year	348	348	322	315
Later than one year and not later than five years	657	878	608	810
Later than five years	1,815	1,941	1,807	1,927
	<b>2,820</b>	<b>3,167</b>	<b>2,737</b>	<b>3,052</b>

### Operating leases

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

	31 March 2015 £000	31 March 2014 £000
No later than one year	90	228
Later than one year and not later than five years	540	576
	<b>630</b>	<b>804</b>

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 2015 £000	31 March 2014 £000
Minimum lease payments	1,334	1,409
	<b>1,334</b>	<b>1,409</b>

### 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 2015 £000	31 March 2014 £000
No later than one year	885	836
Later than one year and not later than five years	1,308	1,298
Later than five years	11,330	10,512
	<b>13,523</b>	<b>12,646</b>



### Note 31 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 47.

#### 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 2015 (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	3,833	1,810	4,520	10,163
Payable within two to five years	14,733	9,097	18,690	42,520
Payable within six to ten years	23,867	10,556	23,199	57,622
Payable within eleven to fifteen years	28,691	11,312	23,023	63,026
Payable within sixteen to twenty years	33,013	12,822	23,106	68,941
Payable within twenty one to twenty five years	27,434	16,294	22,567	66,295
<b>Total</b>	<b>131,571</b>	<b>61,891</b>	<b>115,105</b>	<b>308,567</b>

#### 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:

	2014-2015 £000	2013-2014 £000
Balance outstanding at start of year	64,288	66,411
Increases/(reductions) during the year	(2,398)	(2,123)
<b>Balance outstanding at year end</b>	<b>61,890</b>	<b>64,288</b>

### Note 32 Termination benefits

The Council terminated the contracts (or agreed to terminate prior to the financial year end) of a number of employees in 2014-2015, incurring liabilities of £1.818m (£0.985m 2013-2014). This total is payable to 110 employees from the following directorates:

Number	Directorate
1	Chief Executive's Strategic Office
77	Economy, Neighbourhood and Environment
10	Educational Services
9	Social Care
13	Resources, Governance and Organisation

Termination benefits exclude ill health retirements.

## Note 33 Defined benefit pension schemes

### Participation in pension schemes

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

### 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 pension's 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 2014-2015 and the prior year 2013-2014.

	2014-2015 £000	2013-2014 £000
<b>Comprehensive Income and Expenditure Statement (CIES)</b>		
Cost of Services:		
<i>Service cost comprising:</i>		
Current service cost	17,062	15,780
Past service cost (including curtailments)	2,124	490
<i>Financing and investment income and expenditure:</i>		
Net interest expense/ (income)	6,026	5,274
<b>Total post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>25,212</b>	<b>21,544</b>
Other post-employment benefits charged to the CIES:		
<i>Re-measurement of the net defined benefit liability comprising:</i>		
Return on the plan assets	(36,520)	(11,281)
Actuarial gains and losses arising on changes in demographic assumptions	19,461	-
Actuarial gains and losses arising on changes in financial assumptions	75,730	25,826
Other	(26,929)	(38)
<b>Total post-employment benefit charged to the CIES</b>	<b>56,954</b>	<b>36,051</b>
<b>Movement in Reserves Statement (MiRS)</b>		
Reversal of net charge made to the surplus or deficit on the provision of services for post-employment benefits in accordance with the Code	(41,903)	(22,123)
<b>Actual amount charged against the General Fund balance for pensions in the year:</b>		
<b>Employers' contribution payable to the scheme</b>	<b>15,051</b>	<b>13,928</b>

#### Pension assets and liabilities recognised in the Balance Sheet

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

	2014-2015 £000	2013-2014 £000
Present value of the defined benefit obligation: funded	(740,422)	(644,316)
Present value of the defined benefit obligation: unfunded	(35,663)	(32,066)
Fair value of pension fund assets	596,005	538,205
<b>Net Liability arising from defined benefit obligations</b>	<b>(180,080)</b>	<b>(138,177)</b>

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

	2014-2015 £000	2013-2014 £000
<b>Opening balance at 1 April</b>	<b>676,384</b>	<b>621,383</b>
Current service cost	17,062	15,780
Past service cost	2,124	490
Interest cost	29,114	27,989
Contributions by scheme participants	3,687	3,781
<i>Re-measurement gains and (losses):</i>		
Actuarial gains and losses arising on changes in demographic assumptions	19,461	-
Actuarial losses/ (gains) arising from changes in financial assumptions	75,730	25,826
Other losses/ (gains)	(26,929)	(38)
Benefits paid	(18,496)	(16,981)
Unfunded benefits paid	(2,050)	(1,846)
<b>Closing balance at 31 March</b>	<b>776,087</b>	<b>676,384</b>

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

	2014-2015	2013-2014
	£000	£000
<b>Opening fair value of the scheme assets</b>	<b>538,205</b>	<b>505,327</b>
Interest income	23,088	22,715
<i>Re-measurement gains and (losses):</i>		
Return on the plan assets	36,520	11,281
Contributions from employers	13,001	12,082
Contributions from employees in the scheme	3,687	3,781
Benefits paid	(18,496)	(16,981)
<b>Closing fair value of the scheme assets</b>	<b>596,005</b>	<b>538,205</b>

### Analysis of pension fund assets

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

#### At 31 March 2015

Asset category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2014-2015 Total £000
<b>Cash and cash equivalents</b>			
<b>Equity instruments:</b>			
Consumer	56,311	13	56,324
Manufacturing	44,603	371	44,974
Energy and utilities	17,695	-	17,695
Financial institutions	41,435	3	41,438
Healthcare	24,214	13	24,227
Information technology	34,236	50	34,286
<b>Sub-total equity</b>	<b>218,494</b>	<b>450</b>	<b>218,944</b>
<b>Debt securities</b> (corporate bonds non-investment grade)	-	3	3
<b>Private equity</b>	-	57,996	57,996
<b>Real estate (UK property)</b>	-	54,453	54,453
<b>Investment funds and unit trusts:</b>			
Equities	6,268	164,731	170,999
Bonds	-	75,461	75,461
Commodities	226	-	226
Infrastructure	-	2,014	2,014
Other	-	1,083	1,083
<b>Sub-total investment funds and unit trusts</b>	<b>6,494</b>	<b>243,289</b>	<b>249,783</b>
<b>Derivatives (other)</b>	<b>182</b>	-	<b>182</b>
<b>Cash and cash equivalents (all)</b>	-	<b>14,644</b>	<b>14,644</b>
<b>Totals</b>	<b>225,170</b>	<b>370,835</b>	<b>596,005</b>

At 31 March 2014

Asset category	Quoted Prices in Active Markets £000	Prices not quoted in Active Markets £000	2013-2014 Total £000
<b>Cash and cash equivalents</b>			
<b>Equity instruments:</b>			
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
<b>Sub-total equity</b>	<b>196,225</b>	<b>414</b>	<b>196,639</b>
<b>Debt securities (corporate bonds non-investment grade)</b>	<b>-</b>	<b>4</b>	<b>4</b>
<b>Private equity</b>	<b>-</b>	<b>50,760</b>	<b>50,760</b>
<b>Real estate (UK property)</b>	<b>-</b>	<b>37,703</b>	<b>37,703</b>
<b>Investment funds and unit trusts:</b>			
Equities	13,109	150,704	163,813
Bonds	-	62,456	62,456
Commodities	213	-	213
Infrastructure	-	763	763
Other	-	1	1
<b>Sub-total investment funds and unit trusts</b>	<b>13,322</b>	<b>213,924</b>	<b>227,246</b>
<b>Derivatives (other)</b>	<b>114</b>	<b>-</b>	<b>114</b>
<b>Cash and cash equivalents (all)</b>	<b>-</b>	<b>25,740</b>	<b>25,740</b>
<b>Totals</b>	<b>209,661</b>	<b>328,545</b>	<b>538,206</b>

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Fund's liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2015. The significant assumptions used by the actuary have been:

	2014-2015	2013-2014
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners		
Male	22.1	21.0
Female	23.6	23.4
Longevity at 65 for future pensioners		
Male	24.8	23.3
Female	26.2	25.3
<b>Financial assumptions:</b>		
Rate of inflation/pension increase rate	2.40%	2.80%
Rate of increase in salaries	4.30%	5.10%
Expected return on assets	3.20%	4.30%
Rate for discounting scheme liabilities	3.20%	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 reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change, that the assumptions analysed change, while all the other assumptions remain constant.

Change in assumption at 31 March 2015	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	11%	88,733
1 year increase in member life expectancy	3%	22,976
0.5% increase in the salary increase rate	5%	39,225
0.5% increase in the pension increase rate	7%	57,662

#### 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 [75%] and bonds [13%]. The comparative year's figures are 76% and 12%. The scheme also invests in properties [9%] and in cash [2%]. The ALM strategy is monitored annually or more frequently if necessary.

#### Impact on the Council's cash flow

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

The Fund will need to take account of impending national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average 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 2016 is £11.457m.

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*").

#### Note 34 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 2014-2015 the employer's contribution was set at 14.9% (14.9% in 2013-2014) of the employee's contribution rate. The Council paid £6.244m (£6.264m 2013-2014) for employer's contributions. As a proportion of the total contributions into the Teachers Superannuation Scheme during the year ended 31 March 2014 (£346.3m), the Council's own contributions equate to approximately 1.8%.

At the last valuation of the scheme on 31 March 2012, a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employer's pension contributions for fifteen years. This is included in the increased employer's rate of 17.2% which will be implemented on 1 September 2015.

### Note 35 Contingent assets and liabilities

The Council has received notice of several potential insurance claims during 2014-2015. 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 £5.102m 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 has recently been served notice of an arbitration being brought by a contractor in respect of a contractual dispute therefore the Council recognises that a contingent liability exists pending the outcome of the legal process. The Council will continue to review the basis for liabilities that arise as the legal process progresses.

### Note 36 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 Management Commentary by the Head of Finance and ICT on pages 1 to 8, funds totalling £4.074m have been earmarked by directorates to be spent in 2015-2016, of which £0.447m relates to schools.

### Note 37 Nature and extent of risks arising from financial instruments

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

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

#### Overall procedures for managing risk

The Council's overall risk management procedures focus 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) issued through the Act.

These procedures require the Council to manage risk in the following ways;

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- By adopting a Treasury Policy Statement and treasury management clauses within its financial 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 Government guidance (regulations – Scotland)

The above are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instruments exposure. Actual treasury performance is also reported following each year as an Annual Report and is also monitored throughout the year with quarterly update reports.

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

The full Investment Strategy for 2014-15 was approved by Council on 13 February 2014 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its cash investments in banks and building societies of £75.700m 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 2015 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 £21.080m against which a provision of £5.444m 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 £0.211m.

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 £8.612m of the £21.080m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015	31 March 2014
	£000	£000
Less than three months	1,733	1,014
Three to six months	399	306
Six months to one year	2,087	2,105
More than one year	4,393	2,692
	<b>8,612</b>	<b>6,117</b>



## 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 2015 the outstanding value of loans advanced by the Council was £0.062m.

## Liquidity risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board (PWLB) and money markets for access to longer term funding. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

## Refinancing and maturity risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash needs

The maturity analysis of the principal element of borrowing is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in Treasury Management and Investment Strategy).

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

	Maturity limit	Maturing debt	Actual	Actual
	%	%	31 March 2015	31 March 2014
			£000	£000
Less than one year	25	3.87	6,851	4,066
Between one and two years	25	8.25	14,636	6,851
Between two and five years	50	5.39	9,542	21,688
Between five and ten years	75	6.25	11,073	11,992
More than ten years	90	76.24	135,094	136,665
			<b>177,196</b>	<b>181,262</b>

**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 2015.

	<b>Actual</b> <b>31st March 2015</b> <b>£000</b>	<b>Actual</b> <b>31st March 2014</b> <b>£000</b>
Increase in interest payable on variable rate borrowings	297	306
Increase in interest receivable on variable rate investments	(219)	( 295)
	<b>78</b>	<b>11</b>

<b>Other presentational changes</b>	<b>Actual</b> <b>31st March 2015</b> <b>£000</b>	<b>Actual</b> <b>31st March 2014</b> <b>£000</b>
Decrease in "fair value" of fixed rate borrowing liabilities (no impact on surplus or deficit on the provision of services)	<b>30,481</b>	<b>23,180</b>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price risk**

The Council does not generally invest in equity shares but does have a shareholding to the value of £0.695m 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 £0.695m 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.

<b>Note 38 Heritage assets – information on museum collections</b>
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*Museum and art gallery collections*

The collections of Rozelle House Galleries 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 Burghs 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 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 former 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 - 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 Libraries and Museums Co-ordinator, under the direction of the Culture and Sport Manager.

## Section 7: Housing Revenue Account

The Housing Revenue Account (HRA) reflects the statutory requirement to account separately for local authority housing provision, as specified in the Housing (Scotland) Act 1987. Any surplus or deficit on the HRA is ring-fenced for carry forward as part of the HRA accumulated financial position.

### I) Movement on the HRA Statement for the year ended 31 March 2015

The Movement on the HRA Statement shows the movement in the year on the HRA usable reserves. The surplus or (deficit) on the provision of HRA services shows how the HRA Income and Expenditure Statement reconciles to the movement on the HRA Reserve.

2013-2014		2014-2015
£000		£000
<b>(14,590)</b>	<b>Balance on the HRA at the end of the previous year</b>	<b>(13,445)</b>
10,251	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	13,214
	<b>Adjustments between accounting basis and funding basis under statute</b>	
(9,977)	Depreciation and impairment of non-current assets	(12,104)
661	Capital grants and contributions credited to the comprehensive income and expenditure statement	3,118
(11,017)	Net gain or loss on sale of non-current assets	(13,195)
121	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	125
(164)	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	(343)
1,236	Statutory repayment of debt (Loans Fund advances)	2,108
10,020	Capital expenditure charged to the HRA balance (CFCR)	10,073
14	Net transfer to or from earmarked reserves required by legislation	(12)
(9,106)		(10,230)
<b>1,145</b>	<b>(Increase) or decrease in HRA balance</b>	<b>2,984</b>
<b>(13,445)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(10,461)</b>

**II) HRA Income and Expenditure Statement for the year ended 31 March 2015**

The HRA Income and Expenditure Statement summarises expenditure on repairs, maintenance and management of the Council's housing stock and how this was funded by rental income and other charges for services during the year.

<b>2013-2014</b>		<b>2014-2015</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure</b>	
8,078	Repairs and maintenance	10,676
5,158	Supervision and management	5,422
9,977	Depreciation and impairment of fixed assets	12,104
585	Other expenditure	625
405	Increase in bad debt provision	167
<b>24,203</b>	<b>Total expenditure</b>	<b>28,994</b>
	<b>Income</b>	
(27,125)	Dwelling rents	(28,794)
(407)	Non dwelling rents	(417)
(51)	Other income	(122)
<b>(27,583)</b>	<b>Total income</b>	<b>(29,333)</b>
<b>(3,380)</b>	<b>Net income from HRA Services as included in the Council Comprehensive Income and Expenditure statement</b>	<b>(339)</b>
110	HRA share of Corporate and Democratic Core	126
<b>(3,270)</b>	<b>Net income from HRA Service</b>	<b>(213)</b>
	<b>Other Operating Expenditure</b>	
11,017	(Gain) or loss on sale of HRA non-current assets	13,195
3,203	Interest payable and similar charges	3,271
(151)	Interest and investment income	(125)
113	Net interest on the net defined benefit liability	204
(661)	Non-specific grant income	(3,118)
<b>10,251</b>	<b>Deficit for the year on HRA services</b>	<b>13,214</b>

## Notes to the Housing Revenue Account

### Note 1 Provisions

A provision of £0.540m (2013-2014: £0.615m) is included in the Balance Sheet for doubtful debts in respect of housing rents. During 2014/15, a total of £0.200m was written off in respect of housing rent arrears. A further provision of £0.187m (2013-2014: £0.165m) is included in the Balance Sheet for doubtful debts in respect of homeless arrears. During the year, a total of £0.018m was written off in respect of homeless arrears.

### Note 2 Accommodation

At 31 March 2015, the Council held various types of accommodation and had the following number and types of houses:

31 March 2014		31 March 2015	
Number of houses	Type of accommodation	Number of houses	
2,482	One and two apartment	2,466	
3,490	Three apartment	3,471	
2,001	Four apartment	2,000	
165	Five or more apartment	165	
<b>8,138</b>		<b>8,102</b>	

31 March 2014		31 March 2015	
Number of houses	By area	Number of houses	
4,687	Ayr	4,652	
1,000	Troon	1,004	
718	Prestwick	726	
763	Maybole	756	
970	Girvan	964	
<b>8,138</b>		<b>8,102</b>	

### Note 3 Rent arrears

At 31 March 2015, rent arrears amounted to £0.994m (2013-2014 £1.080m), being 3.29% (2013-2014 3.74%) of gross rent collectable.

### Note 4 HRA surplus/ (deficit)

The deficit for the year of £2.984m, when added to the surplus brought forward from 2013-2014 of £13.445m, results in an accumulated surplus of £10.461m at 31 March 2015. £5.550m is required to fund specific capital and revenue projects in future years leaving a balance of £4.911m 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 £0.568m in 2014-2015 (2013-2014 £0.644m).

## 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

2013-2014 £000		2014-2015 £000
63,037	Gross council tax levied and contributions in lieu	63,284
	Deduct :	
(8,841)	Council tax benefits/reduction (net of government grants)	(8,559)
(7,614)	Other discounts and reductions	(7,675)
(1,194)	Write off of uncollectable debts and allowances for impairment	(1,305)
<b>45,388</b>	<b>In year council tax income</b>	<b>45,745</b>
(109)	Adjustment to previous years' council tax and community charge	(519)
<b>45,279</b>	<b>Transfer to General Fund</b>	<b>45,226</b>

### Notes to the Council Tax 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 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 was set at 10 per cent which it currently remains at. 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 2014-2015 was £8.473m.

Additional income of £1.726m 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 2014-2015

Council tax band	Valuation band								Total
	A	B	C	D	E	F	G	H	
Total number of properties	7,439	12,572	8,787	8,460	9,444	4,701	2,885	279	54,567
Less exemptions/deductions	446	354	264	170	142	65	42	2	1,485
Less adjustment for single discount	999	1,346	893	685	663	252	121	5	4,964
Less adjustment for double discount	67	116	90	84	79	49	22	5	512
<b>Effective number of properties</b>	<b>5,927</b>	<b>10,756</b>	<b>7,540</b>	<b>7,521</b>	<b>8,560</b>	<b>4,335</b>	<b>2,700</b>	<b>267</b>	<b>47,606</b>
<b>Band D equivalent factor (D)</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>11</b>	<b>13</b>	<b>15</b>	<b>18</b>	<b>~</b>
Band D equivalent number of properties	3,950	8,366	6,702	7,521	10,462	6,260	4,500	534	48,295
Class 17 & 24 dwellings	-	-	-	8	-	-	-	-	8
<b>Total</b>	<b>3,950</b>	<b>8,366</b>	<b>6,702</b>	<b>7,529</b>	<b>10,462</b>	<b>6,260</b>	<b>4,500</b>	<b>534</b>	<b>48,303</b>
Less provision for non-collection 2.75 per cent									1,328
<b>Council tax base 2014-2015 (equivalent to a Band D council tax of £1,153.95)</b>									<b>46,975</b>

#### Note 3 Council tax properties and council tax charges

	Valuation band								Total
	A	B	C	D	E	F	G	H	
Number of chargeable properties	5,927	10,756	7,540	7,529	8,560	4,334	2,700	267	47,613
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 2015 £000	31 March 2014 £000
Arrears written off now recovered	-	3

During the financial year, the Scottish Government introduced legislation to end the collection of community charge arrears and extinguish all outstanding community charge debtors with effect from 1 February 2015. Accordingly, The Council's total outstanding community charge debt of £6.055m, which had been fully provided for, was written off.



## Section 9: Non-Domestic Rate Account

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

2013-2014		2014-2015
£000		£000
51,692	<b>Gross rates levied and contributions in lieu</b>	53,405
	Deduct :	
(11,668)	Reliefs and other deductions	(11,934)
-	Payment of interest	-
(801)	Write-off of uncollectable debts and allowance for impairment	(830)
<b>39,223</b>	<b>Net non-domestic rate income</b>	<b>40,641</b>
(3,477)	Adjustment to previous years' national non-domestic rates	(849)
<b>35,746</b>	<b>Total non-domestic rate income</b>	<b>39,792</b>
	<b>National non-domestic rate pool:</b>	
39,642	Non-domestic rate income retained by the authority	43,134
(35,746)	Contribution (to)/ from national non-domestic rate pool	(39,792)
<b>3,896</b>		<b>3,342</b>

### Notes to the Non-Domestic Rate 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 2014-2015

Commercial subjects	Number	Rateable value £000
Shops	1,388	37,057
Public houses	115	3,232
Offices (Including banks)	721	10,836
Hotels, boarding houses, etc.	92	4,337
Industrial and freight transport subjects	935	17,402
Leisure, entertainment caravans and holiday sites	502	5,828
Garages and petrol stations	93	1,286
Cultural	32	562
Sporting subjects	149	620
Education and training	70	9,137
Public service subjects	183	5,309
Communications (non-formula)	17	1,822
Quarries, mines etc.	8	394
Petrochemical	4	63
Religious	89	1,066
Health medical	90	4,131
Other	181	1,100
Care facilities	52	2,539
Advertising	38	72
Undertaking	16	1,448
<b>Total all subjects</b>	<b>4,775</b>	<b>108,241</b>

Rate levied 2014-2015: Rateable value greater than £35,000

Rateable value less than or equal to £35,000

### Section 10: Common Good Fund

The Common Good Fund was inherited by South Ayrshire Council from Kyle and Carrick District Council in 1996 following the 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 Common Good Reserves Statement for the year ended 31 March 2015

##### 2014-2015

	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
<b>Balance at 31 March 2014</b>	900	2,032	2,932	16,139	6	16,145	19,077
<b>Movement in reserves during 2014-2015</b>							
Surplus or (deficit) on the provision of services	(105)	-	(105)	-	-	-	(105)
Other comprehensive income and expenditure	-	(184)	(184)	(98)	(6)	(104)	(288)
<b>Increase/(decrease) in 2014-2015</b>	<b>(105)</b>	<b>(184)</b>	<b>(289)</b>	<b>(98)</b>	<b>(6)</b>	<b>(104)</b>	<b>(393)</b>
<b>Balance at 31 March 2015</b>	<b>795</b>	<b>1,848</b>	<b>2,643</b>	<b>16,041</b>	<b>-</b>	<b>16,041</b>	<b>18,684</b>

##### 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
<b>Balance at 31 March 2013</b>	901	2,299	3,200	15,716	6	15,722	18,922
<b>Movement in reserves during 2013-2014</b>							
Surplus or (deficit) on the provision of services	(1)	-	(1)	-	-	-	(1)
Other comprehensive income and expenditure	-	(267)	(267)	423	-	423	156
<b>Increase/(decrease) in 2013-2014</b>	<b>(1)</b>	<b>(267)</b>	<b>(268)</b>	<b>423</b>	<b>-</b>	<b>423</b>	<b>155</b>
<b>Balance at 31 March 2014</b>	<b>900</b>	<b>2,032</b>	<b>2,932</b>	<b>16,139</b>	<b>6</b>	<b>16,145</b>	<b>19,077</b>

**II) Common Good Income and Expenditure Account for the year ended 31 March 2015**

2013-2014		Ayr	Troon	Prestwick	Maybole	Girvan	2014-2015
£000		£000	£000	£000	£000	£000	£000
	<b>Expenditure</b>						
637	Property costs	523	-	30	-	41	594
1	Donations and contributions	120	-	-	-	-	120
54	Other expenditure	140	-	1	-	-	141
<b>692</b>		<b>783</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>41</b>	<b>855</b>
	<b>Income</b>						
615	Rents	654	-	23	-	-	677
26	Interest on loans	16	-	2	-	-	18
50	Other income	8	-	-	-	47	55
<b>691</b>		<b>678</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>47</b>	<b>750</b>
<b>(1)</b>	<b>Surplus/(deficit) for year</b>	<b>(105)</b>	<b>-</b>	<b>(6)</b>	<b>-</b>	<b>6</b>	<b>(105)</b>
901	Surplus brought forward	580	34	281	2	3	900
<b>900</b>	<b>Accumulated surplus</b>	<b>475</b>	<b>34</b>	<b>275</b>	<b>2</b>	<b>9</b>	<b>795</b>

**III) Common Good Balance Sheet as at 31 March 2015**

2013-2014		2014-2015
£000		£000
<b>16,346</b>	<b>Long-term assets</b>	<b>16,248</b>
96	Long term investments	263
<b>96</b>	<b>Total long term investment</b>	<b>263</b>
	<b>Current assets</b>	
2	Inventory	2
-	Debtors and prepayments	20
2,672	Loans fund investment	2,158
<b>2,674</b>		<b>2,180</b>
<b>19,116</b>	<b>Total assets</b>	<b>18,691</b>
	<b>Less: current liabilities</b>	
(39)	Creditors	(7)
<b>19,077</b>	<b>Total assets less liabilities</b>	<b>18,684</b>
	<b>Financed by:</b>	
900	Revenue reserve	795
2,032	Usable capital receipts reserve	1,848
6	Available for sale financial instruments reserve	-
16,139	Revaluation Reserve	16,041
<b>19,077</b>	<b>Total reserves</b>	<b>18,684</b>

## Notes to Common Good Fund Statements

### 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 2014-2015, dependent on the category of asset.

### Note 2 Movement in fixed assets

#### 2014-2015 Movements

	Gross book value at 1 April 2014	Additions	Revaluations and impairments	Disposals	Gross book value at 31 March 2015
	£000	£000	£000	£000	£000
<b>Land</b>					
Ayr	4,393	-	-	-	4,393
Prestwick	403	-	-	-	403
Troon	2	-	-	-	2
Girvan	51	-	-	-	51
<b>Total land</b>	<b>4,849</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,849</b>
<b>Buildings</b>					
Ayr	10,940	-	(98)	-	10,842
Prestwick	296	-	-	-	296
Troon	3	-	-	-	3
Girvan	7	-	-	-	7
<b>Total buildings</b>	<b>11,246</b>	<b>-</b>	<b>(98)</b>	<b>-</b>	<b>11,148</b>
<b>Community assets</b>					
Ayr	251	-	-	-	251
<b>Total community assets</b>	<b>251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251</b>
<b>Total common good assets</b>	<b>16,346</b>	<b>-</b>	<b>(98)</b>	<b>-</b>	<b>16,248</b>

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 2014-2015 the Council administered 75 Trust Funds and bequests from local benefactors from which payments were made for specified purposes. One of these trusts, Dr Andrew Rennie Bequest, was wound up during the year but is included as a consequence of transactions during 2014-15. Another trust was transferred to South Ayrshire Charitable Trust (which the Council does not have sole control of).

The following tables detail the 66 trusts for which the Council has sole trustee responsibility and are further analysed on pages 87 and 88.

During 2014-15 it was established that capital balances were allocated incorrectly. These have been corrected resulting in a prior year adjustment to the South Ayrshire Charitable Trust referred to above and Sundry Mortifications (sole control).

In addition, McMaster Hallkeeper Endowment Fund was previously classified as sole control whereas it is now classified as non-sole control.

The 2013-2014 Trust Fund Accounts have been restated to reflect these amendments.

<b>*2013-2014</b>	<b>Revenue accounts</b>	<b>Registered charitable trusts</b>	<b>Other trusts</b>	<b>2014-2015</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
783	Opening balance	377	405	782
12	Income for year	4	5	9
(13)	Expenditure during year	(9)	(90)	(99)
<b>782</b>	<b>Closing balance</b>	<b>372</b>	<b>320</b>	<b>692</b>

\*The following table details the movement in the restated 2013-2014 revenue account balances.

<b>Revenue Accounts</b>	<b>Reported 2013-2014</b>	<b>Restated 2013-2014</b>	<b>Movement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2013</b>	<b>804</b>	<b>783</b>	<b>(21)</b>
Income for the year	12	12	-
Expenditure during the year	(13)	(13)	-
<b>Restated balance at 1st April 2014</b>	<b>803</b>	<b>782</b>	<b>(21)</b>

<b>**Restated 2013-2014</b>	<b>Balance sheet as at 31 March</b>	<b>Registered charitable trusts</b>	<b>Other trusts</b>	<b>2014-2015</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>				
89	Investments	18	71	89
983	Current assets - temporary deposit in loans fund	524	375	899
<b>1,072</b>	<b>Total assets</b>	<b>542</b>	<b>446</b>	<b>988</b>
<b>Reserves</b>				
782	Revenue	372	320	692
25	Available for sale financial instrument reserve	-	31	31
265	Capital	170	95	265
<b>1,072</b>	<b>Total reserves</b>	<b>542</b>	<b>446</b>	<b>988</b>

\*\*The following table details the movement in the restated 2013-14 Balance Sheet.

	Reported 2013-2014	Restated 2013-2014	Movement
	£000	£000	£000
<b>Assets</b>			
Investments	94	89	(5)
Current assets - temporary deposit in loans fund	1,005	983	(22)
<b>Total assets</b>	<b>1,099</b>	<b>1,072</b>	<b>(27)</b>
<b>Reserves</b>			
Revenue	803	782	(21)
Available for sale financial instrument reserve	25	25	-
Capital	271	265	(6)
<b>Total reserves</b>	<b>1,099</b>	<b>1,072</b>	<b>(27)</b>

The table below provides information on the original purpose of various trusts or bequests and the value of investments held at 31 March 2015, split between those trusts with charitable status and those without.

#### Charitable Trusts

Name	Original Purpose	Loans Fund Investment £000	External Investment £000	Total £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)	Aiding the deserving poor, resident in the parish of Girvan	31	12	43
Various	6 Charitable Trusts with closing balances less than £25,000	76	6	82
<b>Total Charitable Trust</b>		<b>524</b>	<b>18</b>	<b>542</b>

#### Non Charitable Trusts

Name	Original Purpose	Loans Fund Investment £000	External Investment £000	Total £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	-	-	-
George Todd Memorial Hall	Money to be spent (in Dailly) as per Sheriff Court Judgement	26	-	26
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	185	68	253
Sundry Mortifications	Maintenance of lairs in perpetuity	44	2	46
Various	52 Non Charitable Trusts with closing balances less than £25,000	94	1	95
<b>Total Non-Charitable Trust</b>		<b>375</b>	<b>71</b>	<b>446</b>
<b>Total Trusts</b>		<b>899</b>	<b>89</b>	<b>988</b>

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	Opening Balance 1 April 2014		Income in Year		Expenditure in Year		31 March 2015		
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Total
Mary & Hugh Reid Trust (SC014448)	23	24	-	1	-	1	23	24	47
R H Smith Trust (SC022120)	97	273	-	2	-	2	97	273	370
McClymont Trust (SC008495)	33	10	-	1	-	1	33	10	43
6 Charitable Trusts with a closing Balance of less than £25,000	17	70	-	-	-	5	17	65	82
<b>Total Charitable Trust</b>	<b>170</b>	<b>377</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>9</b>	<b>170</b>	<b>372</b>	<b>542</b>

**Non Charitable Trusts**

Capital and Revenue	Opening Balance 1 April 2014		Income in Year		Expenditure in Year		31 March 2015		
	£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	-	-	-	81	-	-	-
George Todd Memorial Hall	-	27	-	-	-	1	-	26	26
John McMaster Bursary Fund	62	188	6	4	-	7	68	185	253
Sundry Mortifications	20	25	-	1	-	-	20	26	46
52 Non Charitable Trusts with a closing Balance of less than £25,000	28	68	-	-	-	1	28	67	95
<b>Total Non-Charitable Trusts</b>	<b>120</b>	<b>405</b>	<b>6</b>	<b>5</b>	<b>-</b>	<b>90</b>	<b>126</b>	<b>320</b>	<b>446</b>
<b>Total</b>	<b>290</b>	<b>782</b>	<b>6</b>	<b>9</b>	<b>-</b>	<b>99</b>	<b>296</b>	<b>692</b>	<b>988</b>

\*The following table details the impact on Balance Sheet movements in relation to the aforementioned restated 2013-2014 balances:

Capital and Revenue	Reported 2013- 2014		Restated 2013-2014		Movement	
	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue	£000 Capital	£000 Revenue
Ayr Nursing Trust Fund	10	16	10	16	-	-
Dr Andrew R Rennie Bequest	-	81	-	81	-	-
George Todd Memorial Hall	-	27	-	27	-	-
John McMaster Bursary Fund	62	188	62	188	-	-
Sundry Modifications	16	26	20	25	4	(1)
52 Non Charitable Trusts with a closing Balance of less than £25,000	38	88	28	68	(10)	(20)
<b>Total Non-Charitable Trusts</b>	<b>126</b>	<b>426</b>	<b>120</b>	<b>405</b>	<b>(6)</b>	<b>(21)</b>

**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 2015 amounts to £0.922m. 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:

2013-2014		Balance sheet as at 31 March	2014-2015	
£000			£000	
		<b>Assets</b>		
	7	Balance due by loan fund		8
	3	Investments		3
	<b>10</b>	<b>Total assets</b>		<b>11</b>
		<b>Reserves</b>		
	10	Revenue		11
	<b>10</b>	<b>Total reserves</b>		<b>11</b>



## 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 2015.

The subsidiaries are The Common Good Fund and Ayr Renaissance LLP. The Council effectively controls 100% of the Common Good Fund, which is overseen by elected members through the appropriate Council panel. Ayr Renaissance LLP is 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 Common Good Fund from Kyle & Carrick District Council following the re-organisation of local government in 1996. Ayr Renaissance LLP was established by South Ayrshire Council as a separate 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 £27.539m, 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 2015

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
<b>2014-2015</b>					
<b>Balance at 31 March 2014</b>	43,965	244,150	288,115	28,010	316,125
<b>Movement in reserves during 2014-2015</b>					
Surplus or (deficit) on the provision of services	(6,586)	-	(6,586)	102	(6,484)
Other comprehensive income and expenditure	(1,463)	13,802	12,339	(573)	11,766
<b>Total comprehensive income and expenditure</b>	(8,049)	13,802	5,753	(471)	5,282
Adjustments between accounting basis and funding basis	6,224	(6,224)	-	-	-
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	(1,825)	7,578	5,753	(471)	5,282
Transfers to/from earmarked reserves	-	-	-	-	-
<b>Increase/(decrease) in 2014-2015</b>	(1,825)	7,578	5,753	(471)	5,282
<b>Balance at 31 March 2015</b>	42,140	251,728	293,868	27,539	321,407

	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
<b>2013-2014 comparative figures</b>					
<b>Balance at 31 March 2013</b>	45,546	256,061	301,607	(237,229)	64,378
<b>Removal of share of reserves in Police &amp; Fire</b>	-	-	-	265,071	265,071
<b>Revised Balance at 31 March 2013</b>	45,546	256,061	301,607	27,842	329,449
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
<b>Total comprehensive income and expenditure</b>	(15,802)	2,310	(13,492)	168	(13,324)
Adjustments between accounting basis and funding basis	14,221	(14,221)	-	-	-
<b>Net increase/(decrease) before transfer to earmarked reserves</b>	(1,581)	(11,911)	(13,492)	168	(13,324)
Transfers to/from earmarked reserves	-	-	-	-	-
<b>Increase/(decrease) in 2013-2014</b>	(1,581)	(11,911)	(13,492)	168	(13,324)
<b>Balance at 31 March 2014</b>	43,965	244,150	288,115	28,010	316,125

**II) Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2015**

This statement shows the accounting cost in the year of providing the Council's services and its share of the results of its associates 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*.

2013-2014				2014-2015		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£000	£000	£000		£000	£000	£000
16,300	11,827	4,473	Central Services to the Public	16,202	14,543	1,659
20,533	6,990	13,543	Cultural and Related Services	22,028	6,695	15,333
112,564	3,717	108,847	Education Services	108,382	4,121	104,261
17,450	3,129	14,321	Environmental Services	17,924	3,267	14,657
24,193	27,583	(3,390)	Housing Services	28,984	29,333	(349)
46,589	41,136	5,453	General Fund Housing	49,809	42,515	7,294
8,437	4,461	3,976	Planning and Development Services	6,769	3,947	2,822
14,291	1,789	12,502	Roads and Transportation	12,690	69	12,621
87,174	13,996	73,178	Social Work	88,574	15,175	73,399
3,186	110	3,076	Corporate and Democratic Core	3,427	126	3,301
1,644	-	1,644	Non Distributed Costs	3,275	211	3,064
649	187	462	Common good fund	813	269	544
<b>353,010</b>	<b>114,925</b>	<b>238,085</b>	<b>Cost of services</b>	<b>358,877</b>	<b>120,271</b>	<b>238,606</b>
			Other operating expenditure			
		11,477	(Gain) or loss on the disposal of fixed assets			13,286
			Financing and investment income and expenditure			
		14,517	Interest payable and similar charges			14,408
		(590)	Interest and investment income			(499)
		5,274	Net interest on the net defined benefit liability			6,026
		(159,631)	Taxation and non-specific grant income			(159,766)
			Revenue support grant			
		(9,727)	Recognised capital income			(17,010)
		(39,642)	Non domestic rates redistribution			(43,134)
		(45,282)	Council tax and community charge income			(45,226)
		<b>14,481</b>	<b>(Surplus) or deficit on the provision of services</b>			<b>6,691</b>
		13	Share of the (surplus) or deficit on the provision of services by associates			(207)
		<b>14,494</b>	<b>Group (surplus)/deficit</b>			<b>6,484</b>
		(17,278)	(Surplus) or deficit on the revaluation of property, plant and equipment assets			(45,484)
		38	(Surplus) or deficit on revaluation of available for sale financial assets			(60)
		14,507	Actuarial (gains) or losses on pension fund assets and liabilities			31,742
		1,322	Other unrealised (gains) or losses			1,463
		241	Share of other comprehensive income and expenditure of associates			573
		<b>(1,170)</b>	<b>Other comprehensive income and expenditure</b>			<b>(11,766)</b>
		<b>13,324</b>	<b>Total comprehensive income and expenditure</b>			<b>(5,282)</b>

**III) Group Balance Sheet as at 31 March 2015**

The Balance Sheet is a snapshot of the value at the 31 March 2015 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).

31 March 2014 £000		£000	31 March 2015 £000
660,775	Property, plant and equipment	699,272	
2,549	Heritage assets	2,549	
54	Intangible assets	29	
791	Long term investments	1,019	
-	Investments in associates	-	
63	Long-term debtors	62	
<b>664,232</b>	<b>Long-term assets</b>		<b>702,931</b>
42,000	Short term investments	50,000	
3,157	Assets held for sale	3,157	
683	Inventories	425	
21,773	Short-term debtors	17,831	
11,940	Cash and cash equivalents	22,411	
<b>79,553</b>	<b>Current assets</b>		<b>93,824</b>
(4,066)	Short-term borrowing	(6,851)	
(40,086)	Short-term creditors	(51,878)	
(727)	Provisions	(1,240)	
(5,818)	Other short-term liabilities	(5,688)	
<b>(50,697)</b>	<b>Current liabilities</b>		<b>(65,657)</b>
(5,469)	Provisions	(5,221)	
7,738	Investments in Associates	7,285	
(178,096)	Long-term borrowing	(171,237)	
(2,736)	Other long-term liabilities (finance leases)	(2,415)	
(138,207)	Other long-term liabilities (pensions)	(180,113)	
(60,193)	Other long-term liabilities	(57,990)	
<b>(376,963)</b>	<b>Long-term liabilities</b>		<b>(409,691)</b>
<b>316,125</b>	<b>Net assets</b>		<b>321,407</b>
43,965	Usable reserves		42,140
244,150	Unusable reserves		251,728
28,010	Group reserves		27,539
<b>316,125</b>	<b>Total reserves</b>		<b>321,407</b>

The unaudited Annual Accounts were issued on 23 June 2015 and the audited Annual Accounts were authorised for issue on 24 September 2015.



**Tim Baulk BA Acc CPFA**  
**Head of Finance and ICT**

**24 September 2015**

**IV) Group Cash Flow Statement for the year ended 31 March 2015**

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.

2013-2014		2014-2015	
£000	£000	£000	£000
14,481	<b>Net (surplus) or deficit on the provision of services</b>		<b>6,691</b>
	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
(26,770)	Depreciation & impairment of fixed assets	(22,498)	
(66)	Amortisation of intangible assets	(26)	
2,358	(Increase)/Decrease in creditors	(9,890)	
2,251	Increase/(Decrease) in debtors	(3,946)	
85	Increase/(Decrease) in inventories	(258)	
(7,616)	Pension liability	(10,161)	
(12,619)	Carrying amount of non-current assets sold	(15,437)	
4,722	Other non-cash items	17,915	
	<b>Adjustments for items in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
(37,655)	Proceeds from sale of property, plant and equipment, investment property and intangible assets		(44,301)
1,142		2,151	2,151
(22,032)	<b>Net cash flows from operating activities</b>		<b>(35,459)</b>
30,760	Investing activities		18,149
11,705	Financing activities		6,839
20,433	<b>Net increase or decrease in cash and cash equivalents</b>		<b>(10,471)</b>
(32,373)	Cash and cash equivalents at the beginning of the reporting period		(11,940)
(11,940)	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(22,411)</b>

## Notes to the Group Accounts

The notes required for the Annual Accounts of South Ayrshire Council as the holding entity are disclosed separately within the financial statements on pages 23 to 76. The following notes provide additional information in relation to other combining entries.

### Note 1 Accounting policies

The Group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 28 to 40.

### 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.

	2014-2015	2013-2014
	£000	£000
Share of assets	18,691	19,116
Share of liabilities	(7)	(39)
Share of revenues	(750)	(691)
Share of (surplus)/deficit	105	1

**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 2014-2015, South Ayrshire Council contributed £1.803m or 4.82% of the Board's estimated running costs. Its share of the year-end net asset of £7.516m (2013-2014 £7.607m) is included in the Group Balance Sheet. Copies of Strathclyde Partnership for Transport accounts may be obtained from the Treasurer of Strathclyde Partnership for Transport, 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.

	2014-2015	2013-2014
	£000	£000
Share of assets	12,637	11,470
Share of liabilities	(5,121)	(3,863)
Share of revenues	(3,189)	(3,190)
Share of (surplus)/deficit	(196)	(11)

**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 2014-2015, 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 £0.102m (2013-2014 £0.100m) 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.

	2014-2015	2013-2014
	£000	£000
Share of assets	137	158
Share of liabilities	(35)	(58)
Share of revenues	(264)	(264)
Share of (surplus)/deficit	(1)	(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 2014-2015, South Ayrshire Council contributed £0.741m or 34% of the Board's estimated running costs. Its share of the year-end net liability of £0.334m (2013-2014 £0.030m – net asset) 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.

	2014-2015	2013-2014
	£000	£000
Share of assets	343	285
Share of liabilities	(677)	(255)
Share of revenues	(820)	(750)
Share of (surplus)/deficit	(2)	37

**Ayr Renaissance LLP** 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 £0.208m for running costs and £0.375m as a capital grant during 2014-2015. The following table details the main elements of South Ayrshire Council's share of assets and liabilities of the Board.

	2014-2015	2013-2014
	£000	£000
Share of assets	1,639	1,260
Share of liabilities	(68)	(65)
Share of revenues	(294)	(266)
Share of (surplus)/deficit	-	-

#### Note 4 Contingent liabilities

At 31 March 2015 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 2015 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 Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Income Account, the Non-Domestic Rate Account, Common Good Funds Accounts and Trust 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 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with the 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 circumstances of the council and its group 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 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 the applicable law and the 2014/15 Code of the state of the affairs of the group and of South Ayrshire Council as at 31 March 2015 and of the income and expenditure of the group and of South Ayrshire 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 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003.



## Opinion on other prescribed matters

In my opinion:

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

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

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

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

I have nothing to report in respect of these matters.



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**Fiona Mitchell-Knight FCA**  
**Assistant Director, Audit Services**  
Audit Scotland  
4th Floor South Suite  
The Athenaeum Building  
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24 September 2015

## 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.





### **Barrhill Primary School**

Barrhill Primary School was completely upgraded as part of the Council's schools refurbishment programme. The school was extended to provide an integrated dining/gym hall and new reception/management spaces which help create a welcoming and functional environment for pupils, staff and visitors.



### **Citadel Gymnasium**

A new state-of-the-art gym was built at Ayr Citadel leisure centre, with brand new 'Life Fitness' cardio and resistance equipment installed. The use of latest Wi-Fi technology enables users to monitor their progress through their phones and digital devices and allows them to adapt their fitness regimes to meet specific needs and goals.



### **Queen's Baton Relay**

The Queen's Baton Relay came to South Ayrshire amid glorious sunshine during June 2014. The Relay is a much loved tradition of the Commonwealth Games and symbolises the coming together of all Commonwealth nations and territories. Sports Development Officer Colin Duthie carried the torch in Ballantrae.



### **Kincaidston Primary School**

Kincaidston Primary School's open learning spaces have been newly furnished to support flexible learning throughout the school. The dining area has been refreshed and a new kitchen installed, which has created a pleasant area for pupils to enjoy lunch and socialise.



### **Wooden Warrior**

The Wooden Warriors are life-like wooden soldiers, carved from trees within the woodland at Rozelle Estate as part of the Council's innovative programme of tree management, in collaboration with Arts at Rozelle and the Maclaurin Gallery. The carvings serve as a reminder of those who took part in the Great War.



[www.south-ayrshire.gov.uk](http://www.south-ayrshire.gov.uk)

**Resources, Governance and Organisation** County Buildings, Ayr, KA7 1DR