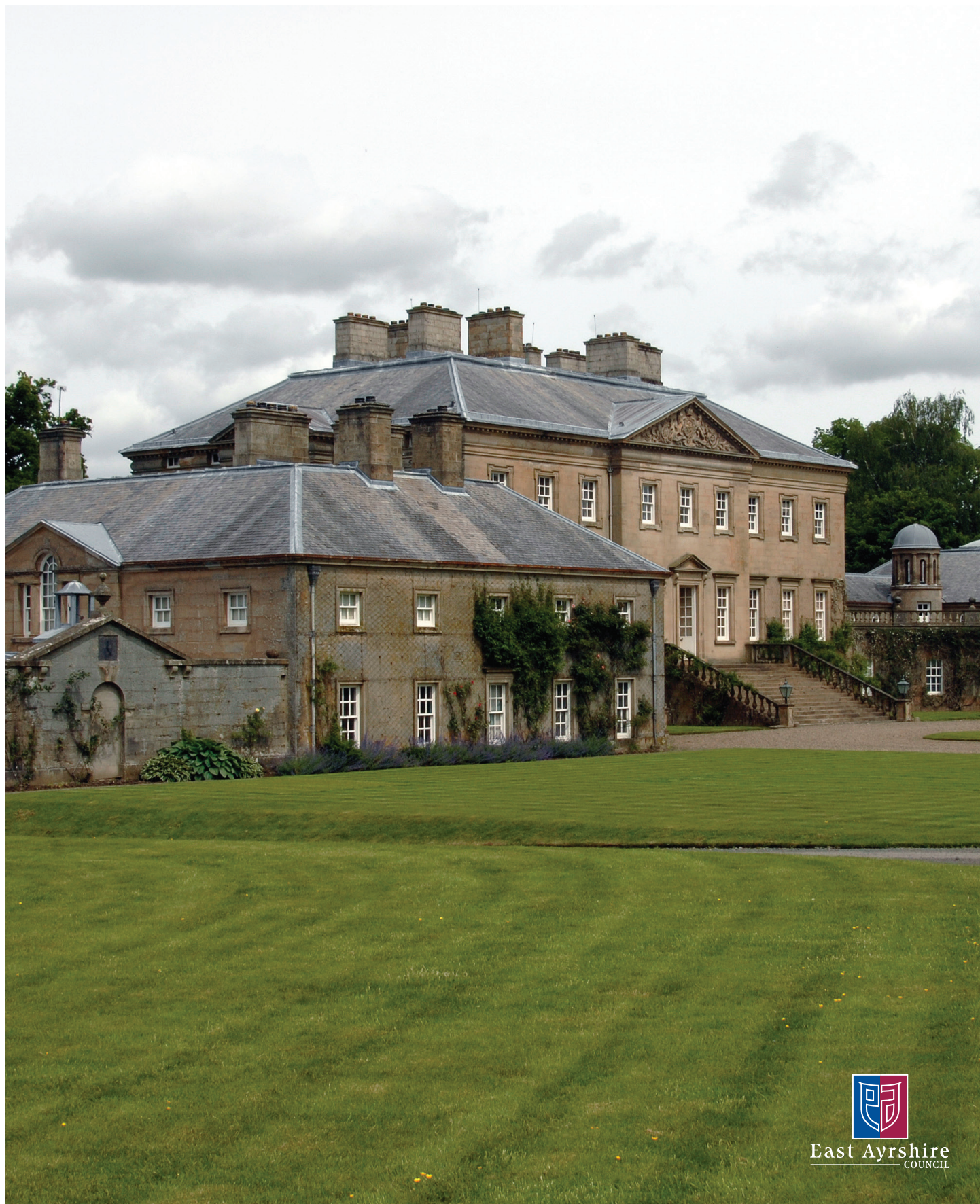


East Ayrshire Council Financial Statements
For the year ended 31 March 2014



East Ayrshire
COUNCIL

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ਚਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰ ਹੇਠ ਦਿੱਤੇ ਗਏ ਪਤੇ ਤੇ
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Foreword by the Executive Director of Finance and Corporate Support

Introduction

These Financial Statements are designed to show the financial position of the Council at 31 March 2014 and how funds have been used during the year. They have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and, where appropriate, the adjustments necessary to illustrate the impact on the Council Tax and Housing Rent levels are included.

A Review of the 2013/14 Financial Year

The financial year 2013/14 saw a continuation of the recent trend of reduced levels of government grant funding, coupled with significant demand and inflationary pressures on service budgets. The Council's Transformation Strategy, approved in 2012, covers the period 2012 to 2017 and is designed to mitigate against the impact of reducing resources by delivering services in new ways at reduced cost. 2013/14 has seen the creation of the independent East Ayrshire Leisure Trust which now delivers leisure and cultural services for the Council, and set in place the processes to facilitate the commencement of the Ayrshire Roads Alliance, a collaboration led by East Ayrshire Council which will deliver roads and transportation services for East and South Ayrshire Councils. Progress has also been made in changing arrangements for customer contact, concentration on improving energy efficiency and plans to transfer responsibility for community assets to community groups.

The financial performance of the Council's General Fund is contained within the Movement in Reserves Statement on page 13. The Statement shows expenditure and income for the year, when adjusted for contributions to and from funds and reserves held by the Council and other statutory and non-statutory adjustments, results in an excess of expenditure over income of £7.420m. The Housing Revenue Account ended the year with a surplus of £3.059m.

When added to the balances brought forward from 2012/13, the cumulative General Fund Balance is £28.026m. £18.651m of this has already been earmarked for future known commitments resulting in a cumulative uncommitted balance of £9.375m which is 2.8% of net budgeted expenditure and is within the range of 2% to 4% specified in the Council's Reserve Strategy. The cumulative balance on the Housing Revenue Account is £6.342m.

Council Performance Against Budget

	Budget	Actual	Variance
	£m	£m	£m
EXPENDITURE			
Employees	169.896	165.821	(4.075)
Premises	19.059	17.854	(1.205)
Transport	9.382	9.641	0.259
Supplies and Services	31.289	26.942	(4.347)
Other	156.571	156.581	0.010
Total Expenditure	386.197	376.839	(9.358)
INCOME			
Income included in Services	(91.439)	(92.964)	(1.525)
Revenue Support Grant	(164.524)	(164.524)	-
Council Tax	(48.970)	(50.130)	(1.160)
Non Domestic Rates	(58.844)	(58.844)	-
Utilisation of Balances	(17.463)	0.000	17.463
Reserve Transfers	(4.957)	(2.957)	2.000
Total Income	(386.197)	(369.419)	16.778
	-	7.420	7.420

Foreword by the Executive Director of Finance and Corporate Support

The table shows a favourable variance in employee costs predominantly as a result of budget holders taking action to review existing arrangements and prepare for future efficiencies and also the timing of the filling of vacancies. Within premises costs spending on energy was lower than budget. The favourable variance in supplies and services is as a result of the in year line by line budget review process which helped services identify £2.748m which could be saved on a one-off basis, and centrally held budgets including the change fund and income contingency not being utilised during the year. Other expenditure is principally made up of third party payments which include costs in respect of residential and care at home costs, transfer payments which includes the costs relating to housing benefit, and capital financing costs.

The variance in income included in services is due to income from fees and charges being higher than budgeted along with private sector housing grant, employability and regeneration grants which require to be earmarked for future use.

Housing Revenue Account (HRA) Performance

The Movement in Reserves Statement on page 13 shows an increase on the Housing Revenue Account balance of £3.059m and this is mainly due to a favourable outcome in respect of a legal claim against the Council, reduced debt charges partly offset by additional employee costs, agency and unbudgeted voluntary severance costs. When added to the surplus brought forward from 2012/13 of £3.283m, this results in a cumulative balance of £6.342m, all of which will be used for future years Housing Investment Programmes.

Council Reserves

A comprehensive analysis of the Council's reserves is provided in the Movement in Reserves Statement (MiRS), which is shown at page 13.

Other Financial Information

Sources of Income to the Council - Income from Council Tax was £39.810m and the Band 'D' tax level was £1,188.99. The largest source of funds was the General Revenue Grant which amounted to £194.950m.

Capital Expenditure - The Prudential Code for Capital Finance in Local Authorities governs the level of capital expenditure taking into account affordability, sustainability, the management of assets and the achievement of strategic objectives. Capital spending in 2013/14 on General Fund Services was £26.827m and on Housing was £14.461m. The following table shows the sources of funding for capital expenditure.

Expenditure	£m	Financed By	£m
Education Services	8.922	Government Grants	7.387
Housing Services	14.461	Capital Receipts	1.379
Cultural & Related Services	1.025	Capital Financed from Revenue	10.804
Environmental Services	3.190	Borrowing	19.377
Roads & Transportation	6.394	Capital Fund	2.341
Social Work	1.729		41.288
Planning and Development	3.519		
Corporate & Democratic Core	2.048		
		Represented By	£m
		General Fund Services	26.827
		Housing	14.461
	41.288		41.288

Foreword by the Executive Director of Finance and Corporate Support

Borrowing - Capital expenditure incurred by the Council in 2013/14 together with the source of funding is shown in the table on page 44. This is incurred principally for the creation and enhancement of assets, including council houses, school buildings, and infrastructure, such as the roads network. Capital Expenditure is paid for by charging a proportion of the cost (principal) along with interest each year to the revenue account over the life of the asset. The current level of expenditure not yet repaid is the Capital Financing Requirement (CFR) of the Council, which at 31 March 2014 was £375.855m. This is in comparison to the net value of non current assets owned which was £995.756m.

Interest and Similar Charges - Interest paid in the year was £17.906m and relates to accumulated borrowing of £346.528m as shown on the Balance Sheet on page 16 and the Financial Instruments note shown on page 48.

Pension Fund - Pension Fund reporting regulations require an annual valuation by fund actuaries. The calculation at 31 March 2014 disclosed a deficit position for the Council of £182.704m. It is important to note that this is simply a snapshot of the position at that time. The calculation is prepared only for the purposes of IAS19 reporting requirements and is not relevant for funding purposes. The latest long-term triennial funding valuation of the Fund for the purposes of setting employers' actual contributions was at 31 March 2011 and contributions to the Fund continue in line with current actuarial advice.

Equal Pay - A number of Equal Pay claims have been received by the Council covering the period prior to the introduction of Single Status within East Ayrshire Council and the four year pay protection period which followed. A provision has previously been made in the Financial Statements on the basis of potential estimated liabilities. This is reviewed on an annual basis in line with the requirements of the Accounting Standards and taking into account legal advice and updates from Finance and Human Resources Services on the adequacy and appropriateness of the provision.

Public Private Partnership – Provision of School Buildings - The Council entered into a Public Private Partnership in 2007/08 for the provision of two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The provider is required to ensure the availability of these buildings to a pre-agreed standard. During 2013/14, £9.568m was paid to the contractor under the terms of the agreement.

Common Good, Trusts and Bequests - The Council acts as the sole Trustee and administers various Common Good funds relating to the areas of the six former burghs together with a number of charitable trusts and bequests. As part of the management arrangements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to these assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in return for the management of the asset. The Council remains responsible for all costs and any income relating to the asset and is entitled to the use of the asset. These funds do not represent assets available to the Council and as such are not included in the Council's Balance Sheet.

Group Accounts - Strathclyde Police Joint Board and Strathclyde Fire and Rescue Joint Board do not form part of the council's group accounts in 2013/14 following the formation of Police Scotland and the Scottish Fire and Rescue Service on 1 April 2013. The non inclusion of these bodies in 2013/14 has the impact of increasing the group Movement in Reserves Statement and Group Balance Sheet by £284 million to reflect the write off of the council's share of these bodies net liabilities. There is no requirement to restate the 2012/13 figures to provide comparability with 2013/14.

Foreword by the Executive Director of Finance and Corporate Support

Explanation of the Statements

The Financial Statements set out the Council's financial transactions and year end position for the year to 31 March 2014. An explanation of the purpose of each statement is included on the face of each statement and in the accompanying Notes.

Looking Ahead – Financial Outlook

Our longer term financial forecasts assume continued public sector fiscal constraint and this, together with assumptions on legislative, demand and inflation pressures, have been built into our forward budget modelling arrangements. The Transformation Strategy identifies how the resulting budget gap can be closed and work continues across the Council to deliver the planned outcomes.

2014/15 will see the Ayrshire Roads Alliance begin its first year of operations and the shadow year of operations for the Integrated Health and Social Care Partnership with NHS Ayrshire and Arran. The Council's management structure has been amended to facilitate the organisational requirements of the partnership and further changes which take account of the new and emerging public sector landscape will be proposed. The risks inherent in the changes in service delivery models and, in particular, the cumulative risk of the number of changes being implemented in parallel have been recognised in the Council's corporate risk register. The prize of a financially sustainable, efficient, customer focussed Council is one which is being pursued energetically and relentlessly by elected members and employees alike.

The Financial Statements indicate that the Council is in a relatively good financial position and the Finance Service will continue to provide professional support to every service area of the Council to assist with the continued efficient and effective use of resources.

Acknowledgement

The favourable financial position disclosed by the Financial Statements has been achieved through the continued efforts of Elected Members and officers in every service to manage the resources made available to them effectively and efficiently. I am particularly grateful to staff in the Finance Service who have provided professional support to all services throughout the year and who have delivered these detailed Financial Statements within a very challenging statutory timescale.

Alexander McPhee, ACMA
Executive Director of Finance and Corporate Support
16 September 2014

Statement of Responsibilities

The Authority's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director of Finance and Corporate Support;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Financial Statements.

The Chief Financial Officer's Responsibilities

The Executive Director of Finance and Corporate Support is responsible for the preparation of the Council's Financial Statements in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing these Financial Statements, the Executive Director of Finance and Corporate Support has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Financial Statements provide a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2014.

Annual Governance Statement

Scope of Responsibility

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

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

To this end, the Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA (Chartered Institute of Public Finance and Accountancy)/ SOLACE (Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish local authorities. A copy of the Code, the update on the 2013/14 Action Plan and the 2014/15 Action Plan can be downloaded from www.east-ayrshire.gov.uk. The Code evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA. The Code is reviewed and updated on an annual basis, most recently by the Governance and Scrutiny Committee on 19 June 2014.

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

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, which direct and control the Council's activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic priorities and outcomes set out in the East Ayrshire Community Plan, which the Council has adopted as its sovereign planning document and to consider whether those priorities and outcomes have led to the delivery of appropriate, cost-effective services. The governance framework was further strengthened during the year ended 31 March 2014 and will continue to be reviewed.

Annual Governance Statement

The Governance Framework

We have adopted the East Ayrshire Community Plan as the Council's sovereign planning document and completed the second Four-yearly Review of the Community Plan in 2011. This resulted in the provision of a Community Planning Review Supplement, four new Thematic Action Plans and the associated Single Outcome Agreement (SOA), all of which were endorsed by the Community Planning Partnership Board and the Council in March 2011. Together, these set the Council's vision and values, and provide the strategic context for the delivery of services across East Ayrshire for the period 2011-15.

To date a number of recommendations have been endorsed at the CPP Board including that:

- the Community Plan remains as the sovereign and overarching planning document for East Ayrshire;
- there is increased alignment between Partner Agency Strategic Plans and the new Community Plan;
- the Community Plan will be a 15 Year Plan for the period 2015 to 2030 with a three-yearly review process built into the planning cycle; and
- there will be three Delivery Plans, namely Economy and Skills, Wellbeing and Community Safety.

Service Plans are in place for all Council Services. These provide the link between service priorities and Community Planning and SOA strategic priorities and outcomes; link service performance with financial and other resources and play a pivotal role in identifying and delivering service improvements and efficiency.

The Council's Transformation Strategy 2012-2017, approved at Council on 28 June 2012, is designed to ensure that our services remain financially sustainable in the current economic climate and identifies our strategic priorities, as follows:

- Raise educational attainment and equip young people for the world of work;
- Support older people to live independently in the community; and
- Promote town centre living.

A high level reporting framework has been developed for each of the strategic priorities and regular progress reports will be brought forward to Cabinet, with annual reporting to both Cabinet and Governance and Scrutiny Committee. Specific Scrutiny Groups have been established for each of the strategic priorities to support the review and assessment of these areas.

Flowing from the Strategy, and underpinned by ten strategic imperatives, twenty-five workstreams have been identified, which are designed to deliver costs savings and offer proposals for changes in operations to ensure the financial sustainability of our services. A continuous process of consultation and discussion with stakeholders, including special interest groups, staff, trade unions and the wider public supports the Transformation Strategy.

Policy and decision making is conducted through a Cabinet structure, which was last reviewed in October 2009 and which includes a Governance and Scrutiny Committee. Cabinet has responsibility for discharging all of the Council's functions except those reserved to the Council and those matters specifically delegated to other statutory, quasi-judicial committees. The Governance and Scrutiny Committee is fully compliant with Audit Committee principles and full details of its responsibilities are available from www.east-ayrshire.gov.uk.

Annual Governance Statement

We have continued to enhance and strengthen our internal control environment through updating and introducing new policies and procedures. The Scheme of Delegation sets out the remit of Elected Member Portfolio Holders and the extent of delegations made to Committees and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. The Council also has Financial Regulations and Standing Orders relating to contracts in place and all of these procedural documents are regularly reviewed.

The Council's system of internal financial control throughout the financial year 2013/14 is based on a framework of regular management information, financial regulations, accounting policy bulletins, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- Comprehensive budgeting systems;
- Measurement of financial and other performance against targets;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts and targets;
- Clearly defined capital expenditure guidelines; and
- Formal project management disciplines, as appropriate.

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

The Internal Audit function within East Ayrshire Council is directly responsible to the Chief Executive for the independent appraisal of the Council's systems of internal control. During 2013/14 the Internal Audit section operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced on 1 April 2013. Internal Audit is subject to an annual review by the Council's external auditors to ensure that the section continues to operate according to good practice. The review for 2013/14 concluded that Internal Audit operates in line with the PSIAS.

Internal Audit aims to give reasonable assurance on the Council's systems of internal control using a risk-based programme of work. On the basis of work completed in 2013/14, East Ayrshire Council's established internal control procedures were generally found to operate as intended to meet management's requirements for the individual systems reviewed by Internal Audit.

The Council's approach to risk management is well embedded with a Corporate Risk Register supported by Departmental Risk Registers and regular reports are provided to the Corporate Management Team and Elected Members. A Strategic Review of the Council's risk management arrangements was undertaken by Zurich in 2011/12 and implementation of the identified improvement actions arising from this review will further strengthen the Council's approach to risk management. The Council's business continuity strategy has been cascaded down through the organisation with each department and service holding individual business continuity plans.

The Council's Whistleblowing Policy and Procedures were revised by Cabinet on 23 November 2011. The Policy and Procedures were issued as a Human Resources Circular and are available to all employees and members of the public, partners and contractors. Reporting arrangements are in place to facilitate reporting on Whistleblowing incidents to the Governance and Scrutiny Committee on an annual basis. In addition, the Head of Finance chairs the Council's Strategic Fraud Group.

Annual Governance Statement

In June 2013, Cabinet approved an Anti-Fraud and Anti-Corruption Strategy which provides a framework for limiting the Council's exposure to fraud and corruption and reinforces the mechanisms currently in place to achieve this. It further demonstrates the Council's commitment to strong corporate governance and the continued development of an effective anti-fraud culture.

In response to the challenges that emerged following the collapse of two opencast coal mine operators, the Scottish Coal Company Limited and Aardvark TMC Limited, the Council approved its Steps to Recovery Plan in September 2013 which, amongst other things, introduced strengthened Compliance Monitoring arrangements for current and future opencast coal mines, quarries, landfill sites, onshore wind farms and other similar developments. In May 2014, Cabinet also agreed robust arrangements for the consideration and determination of financial guarantees relating to the decommissioning, restoration, aftercare and mitigation for such developments with the Council's Scheme of Delegation to be reviewed in the course of 2014/15 to ensure that these operational improvements are also consistent with and reflected in the Council's governance and decision making structures. The review of the Scheme of Delegation will also take account of the recommendations of the Independent Review of the Regulation of Opencast Coal Operations in East Ayrshire which was endorsed by the Council on 28 January 2014.

We have a Code of Conduct for employees and high standards of behaviour are supported by employee contracts of employment and annual EAGER reviews, which identify individual training and development requirements. A revised Code of Conduct for Elected Members was introduced in 2010/11, together with training on the requirements of the new Code for Elected Members. The Council's Organisational Development Strategy was approved in January 2013 and will be reviewed again in 2017. An Elected Member Learning and Development Strategy has been agreed and Job Outlines for Elected Members, including Members of the Governance and Scrutiny Committee are in place. A training needs analysis is undertaken on an annual basis and individual Development Plans are subsequently agreed for all Elected Members.

A new Complaints Handling Procedure based on the *Scottish Public Services Ombudsman's* national model was adopted on 1 September 2012. A Complaints Performance Framework has been developed to systematically record performance and improvements arising from complaints and regular reports are provided to Cabinet and the Governance and Scrutiny Committee as part of East Ayrshire Performs.

The Council monitors performance using an Electronic Performance Management System (EPMS), which is populated with a wide range of performance indicators agreed following a comprehensive review of performance indicators across all Council services. These indicators inform the Chief Executive's, Executive Directors' and Heads of Service Performance Scorecards all of which are updated with real time period performance information and reported and monitored using EPMS.

The challenging financial environment in which the Council is currently operating has required an immediate response to deliver the level of efficiencies required. The effective management of the Council's Revenue Budget, within the context of the current challenging financial situation, has been achieved through effective financial stewardship to ensure that the required level of cost reductions were realised across all Council services. Taken together, these review activities ensure that the Council continues to provide a comprehensive response to the statutory requirements of Best Value.

The Council has in place a strong and embedded process of self- assessment, which has been formally recognised by the Accounts Commission. Our comprehensive approach to self-evaluation comprises the Council-wide Strategic Self Assessment of performance undertaken by the Council's Corporate Management Team supported by an external critical friend, the aim of which is to ensure that the Council continues to remain well placed to respond to and meet the requirements of Best Value; and the

Annual Governance Statement

Service based self-assessment of performance using the European Foundation for Quality Management (EFQM) Model, including use of alternative service specific models derived from and aligned with the EFQM model where appropriate, such as SCSWIS self-evaluation model in Social Work and QMIE in Education. All of these focus on securing continuous improvement in the services delivered by the Council.

Our Community Planning structures are designed to ensure that people and communities are genuinely engaged in decisions about public services which affect them.

We conduct a Community Planning Residents' Survey every three years, the latest will conclude in June 2014. The Community Planning Residents' Panel, comprising a database of 1,000 people will also be refreshed and updated by July 2014. These are utilised to establish views on matters ranging from service delivery through to the development of strategy. In addition, extensive consultation events are held on the Council's annual budget setting process and a wide range of customer/user Satisfaction Surveys, questionnaires and consultation and engagement events, including the three-yearly Tenants' Satisfaction Survey, are undertaken at service level. Details of current and past consultations are available on the Council's website (www.east-ayrshire.gov.uk) and the results of these are used to inform strategic direction, policy and service priorities.

The Vibrant Communities Service is working to ensure a co-ordinated approach to consultation and engagement and an integrated approach to locality planning across the wider Community Planning Partnership. A proposed Community Engagement Framework will be presented to Cabinet in the course of 2014/15 and plans are being developed to hold Locality Planning Visioning Events in each of our five hub areas (Stewarton, Kilmarnock, Galston, Cumnock/Auchinleck and Dalmellington/Patna) with key stakeholders and partners including the community. In addition, Community Led Action Plans have been launched by 6 communities and a further 4 are being developed.

Statutory Roles

The Council's procedural documentation clearly details the decision making structure. This includes Scheme of Delegation; Standing Orders; Standing Orders relating to contracts; Contract Procurement Protocol; Financial Regulations; Local Government Access to Information Registers; Departmental Service Descriptions; Officer delegated responsibility; and the role of Elected Member portfolio holders. The Council's Scheme of Delegation designates the Chief Executive as the Council's Head of Paid Service in terms of the Local Government and Housing Act 1989. This requires the post holder to carry out the specified duties associated with this statutory role, including responsibility, where it is appropriate, for setting out proposals and reporting to Council, in relation to the undernoted matters:

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

The Head of Legal, Procurement and Regulatory Services, and Solicitor to the Council, acts as Monitoring Officer and ensures that the Council acts within legal and statutory requirements.

Annual Governance Statement

The Executive Director of Finance and Corporate Support is the proper officer of the Council with statutory responsibility for the administration of its financial affairs for the purposes of Section 95 of the Local Government (Scotland) Act 1973 and is a member of the Corporate Management Team. This reflects best practice identified by the CIPFA Statement on the role of the Chief Financial Officer in Local Government. Officer responsibilities are reflected in the Job Description for the Executive Director of Finance and Corporate Support and the Council's Financial Regulations, which confirm that the Executive Director of Finance and Corporate Support shall be responsible for the administration of the financial affairs of the Council and shall act as a financial adviser to the Council, Cabinet and all Committees.

The Council's current Scheme of Delegation designates the Head of Service: Community Care as the Chief Social Work Officer in terms of the Social Work (Scotland) Act 1968 and requires the post holder to carry out the specified duties associated with this statutory role by ensuring the provision of effective, professional advice to Elected Members and officers in relation to the provision of social work services. As part of the Council response to the legislative changes brought about by the Public Bodies (Joint Working) (Scotland) Act 2014, the management of Social Work Services were transferred to the Shadow Integration Board in preparation for the establishment of the Integration Joint Board by 1 April 2015. In March 2014 the Head of Service Community Care was recruited to the post of Director of Health and Social Care and retained the role of Chief Social Work Officer, this will be reviewed during the shadow year and the Scheme of Delegation will be amended accordingly.

Review of Effectiveness

A Mid Term Review of the Community Plan focussed on reviewing the actions and activity necessary to achieve the agreed Local Outcomes, set within the context of reducing resources across the public sector and increased public demand, took place from September 2012 to March 2013. Mid Term Review Supplements to the current Action Plans have been produced, which highlight the focus of activity going forward and amendments/additions to the actions which will be taken forward to ensure progress in respect of the Local Outcomes. In addition, a reshaping of the SOA to meet the requirements of the National Review of Community Planning and SOAs was also undertaken in the context of the Mid Term Review. A revised SOA was endorsed for submission to the Scottish Government on 31 March 2013. The Community Plan and associated documentation can be accessed at www.eastayrshirecommunityplan.org. As we near the end of the lifespan of the current Community Plan, a fundamental, comprehensive review of the Community Plan, the associated Single Outcome Agreement (SOA) and Community Planning arrangements is being taken forward over 2014/15 to ensure the development of a new visionary plan, which will meet the needs of our communities going forward.

On the basis of Internal Audit work completed in 2013/14, East Ayrshire Council's established internal control procedures were generally found to operate as intended to meet management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls, it can be concluded that, in the main, controls were generally operating as expected during the period under review. A number of recommendations have been made by Internal Audit to further improve controls through action plans developed with management to address improvements. A total of six complaints have been considered by the Standards Commission since the 2000 Act took effect, with only one of these determined by the Commission following a hearing. In all instances the Council has responded and co-operated fully with the complaints process as have the individual Members involved in each case.

Annual Governance Statement

During 2013/14, East Ayrshire Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both appropriate and effective in practice. Specifically, the Council's governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is co-ordinated corporately and approved by the Corporate Management Team, Executive Directors and Heads of Service have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, each Executive Director and Head of Service is required to make an annual statement confirming that this is the case.

The conclusion from this review was that the Council complies in full with the terms of the new Framework. This review is available from www.east-ayrshire.gov.uk and notes the delivery of a number of key improvements.

In common with other councils, East Ayrshire was the subject of an external Best Value 2 Audit which was completed by Audit Scotland in April 2010. The outcome of this Audit was extremely positive, concluding that services in East Ayrshire are performing well overall and that partnership working within the Council area is highly effective. The BV2 Report provided two judgements on the Council's performance. It found that the Council was improving well in the pace and direction of change and that the Council was well placed to deliver future improvement. In particular, the BV2 Report noted that there was an embedded culture of continuous improvement and a well-established and comprehensive approach to self-evaluation and review.

Improvements Proposed

The system of governance (including the system of internal control) provides reasonable assurance that assets are safeguarded; that transactions are authorised and properly recorded; that material errors or irregularities are either prevented or would be detected within a timely period; and that significant risks impacting on the achievement of our strategic priorities and outcomes have been mitigated. The review carried out in 2013/14 highlighted improvements that could be implemented in some areas and these are contained within the Corporate Governance Improvement Action Plan for 2014/15.

Conclusion

We consider the governance and internal control environment operating during 2013/14 to provide reasonable and objective assurance that significant risks impacting on the achievement of our principal strategic priorities and outcomes will be identified and actions taken to avoid or mitigate their impact. A number of improvements are proposed to further strengthen our governance arrangements and these are set out above. Implementing the action plans is a priority and progress will be reported to the Governance and Scrutiny Committee. Systems are in place for regular review and improvement of the governance and internal control environment. The Council will continue to review its Corporate Governance arrangements and take any additional steps as are required to further enhance these arrangements and will review their implementation and operation as part of the next annual review.

Councillor Douglas Reid
Leader of the Council
16 September 2014

Fiona Lees
Chief Executive
16 September 2014

Movement in Reserves Statement (MiRS)

This Statement shows the movement on the reserves , analysed into Usable and Unusable.

2013-2014	Usable Reserves					Total Usable Reserves	Unusable Reserves	Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	General Fund Balance	HRA	Repairs and Renewal	Capital Grants Unapplied	Capital Fund						
Balance at 31 March 2013	35.446	3.283	8.280	-	12.694	59.703	417.666	477.369	2.495	13.144	493.008
Surplus / (Deficit) on the Provision of Services	(21.565)	(11.579)	-	-	-	(33.144)	-	(33.144)	(0.059)	-	(33.203)
Other Comprehensive Income and Expenditure accounting basis and funding basis under Regulation	-	-	-	-	-	-	22.918	22.918	-	(1.048)	21.870
Depreciation of Non Current Assets	21.396	17.216	-	-	-	38.612	(38.612)	-	0.149	(0.149)	-
Impairment of Non Current Assets	5.197	5.121	-	-	-	10.318	(10.318)	-	-	-	-
Amortisation of Intangible Assets	0.041	0.003	-	-	-	0.044	(0.044)	-	-	-	-
Capital Grants and Contributions Applied	(7.387)	-	-	-	-	(7.387)	7.387	-	-	-	-
Differences relating to Financial Instruments required by statute	(0.259)	(0.090)	-	-	-	(0.349)	0.349	-	-	-	-
Differences relating to Officer Remuneration required by statute	1.211	0.009	-	-	-	1.220	(1.220)	-	-	-	-
Net Gain / Loss on Disposal of Fixed Assets	0.406	2.323	-	-	1.651	4.380	(4.380)	-	-	-	-
Net Charges for Retirement Benefits	22.975	2.616	-	-	-	25.591	(25.591)	-	-	-	-
Contributions to Pensions Fund	(15.479)	(1.451)	-	-	-	(16.930)	16.930	-	-	-	-
Repayment of Debt	(15.951)	(2.044)	-	-	-	(17.995)	17.995	-	-	-	-
Use of GF Capital Fund to Finance New Capital Expenditure	-	-	-	-	(2.341)	(2.341)	2.341	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	-	-	(1.379)	(1.379)	1.379	-	-	-	-
Capital Expenditure Funded in Year	(0.868)	(9.936)	-	-	-	(10.804)	10.804	-	-	-	-
Increase / (Decrease) before Transfers	(10.283)	2.188	-	-	(2.069)	(10.164)	(0.062)	(10.226)	0.090	(1.197)	(11.333)
Transfers to / from Capital Fund	2.190	-	-	-	(2.190)	-	-	-	-	-	-
Transfers to / from Other Statutory Reserves	0.705	0.880	(1.585)	-	-	-	-	-	-	-	-
Interest on Revenue Balances	(0.031)	(0.009)	0.040	-	-	-	-	-	0.215	(0.215)	-
Increase / (Decrease) in 2013/14	(7.419)	3.059	(1.545)	-	(4.259)	(10.164)	(0.062)	(10.226)	0.305	(1.412)	(11.333)
Balance at 31 March 2014	28.026	6.342	6.735	-	8.435	49.538	417.604	467.143	2.800	11.732	481.675

Movement in Reserves Statement (MiRS)

The opening Unusable Reserve balances has been adjusted by £284.275m to reflect the removal of the former Strathclyde Police and Strathclyde Fire and Rescue Service from the Council's group accounts entities.

2012-2013	Usable Reserves					Total Usable Reserves	Unusable Reserves	Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	General Fund Balance	HRA	Repairs and Renewal	Capital Grants Unapplied	Capital Fund						
Balance at 31 March 2012	34.658	2.325	9.104	0.084	14.400	60.571	479.895	540.466	4.918	(224.868)	320.516
Surplus / (Deficit) on the Provision of Services	(12.136)	(14.136)	-	-	-	(26.272)	-	(26.272)	(14.090)	-	(40.362)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(36.825)	(36.825)	-	(34.597)	(71.422)
Adjustments between accounting basis and funding basis under Regulation											
Depreciation of Non Current Assets	20.248	25.788	-	-	-	46.036	(46.036)	-	0.156	(0.156)	-
Impairment of Non Current Assets	14.829	0.076	-	-	-	14.905	(14.905)	-	-	-	-
Amortisation of Intangible Assets	0.043	0.004	-	-	-	0.047	(0.047)	-	-	-	-
Capital Grants and Contributions Applied	(7.954)	(0.300)	-	-	-	(8.254)	8.254	-	-	-	-
Capital Grants and Contributions Unapplied	-	-	-	(0.084)	-	(0.084)	0.084	-	-	-	-
Differences relating to Financial Instruments required	(0.237)	(0.080)	-	-	-	(0.317)	0.317	-	-	-	-
Differences relating to Officer Remuneration required by	(0.467)	(0.014)	-	-	-	(0.481)	0.481	-	-	-	-
Net Gain / Loss on Disposal of Fixed Assets	1.164	0.375	-	-	0.975	2.514	(2.514)	-	-	-	-
Net Charges for Retirement Benefits	15.713	1.549	-	-	-	17.262	(17.262)	-	-	-	-
Contributions to Pensions Fund	(15.575)	(1.474)	-	-	-	(17.049)	17.049	-	-	-	-
Repayment of Debt	(14.058)	(1.893)	-	-	-	(15.951)	15.951	-	-	-	-
Use of Capital Fund to Finance New Capital Expenditure Funded in Year	(0.373)	(9.817)	-	-	-	(10.190)	10.190	-	-	-	-
Increase / (Decrease) before Transfers	1.197	0.078	-	(0.084)	(2.059)	(0.868)	(62.229)	(63.097)	(13.934)	(34.753)	(111.784)
Transfers to / from Capital Fund	(0.353)	-	-	-	0.353	-	-	-	-	-	-
Transfers to / from Other Statutory Reserves	(0.056)	0.880	(0.824)	-	-	-	-	-	11.510	(11.510)	-
Increase / (Decrease) in 2012/13	0.788	0.958	(0.824)	(0.084)	(1.706)	(0.868)	(62.229)	(63.097)	(2.424)	(46.263)	(111.784)
Balance at 31 March 2013	35.446	3.283	8.280	-	12.694	59.703	417.666	477.369	2.494	(271.131)	208.732

Comprehensive Income and Expenditure Statement (CIES)

This shows the accounting cost of providing services in accordance with Generally Accepted Accounting Practices, rather than the amount to be funded from taxation. The Council uses funds raised from taxation to cover expenditure and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. It should be noted that the classification of services in this statement complies with that prescribed by the Service Reporting Code of Practice (SeRCOP) and differs from the management structure of the Council.

		2012-2013					2013-2014	
		EAC	Group				EAC	Group
£m Exp	£m Income	£m Net	£m Net		£m Exp	£m Income	£m Net	£m Net
134.131	(5.043)	129.088	129.088	<i>Operating</i>				
90.292	(15.318)	74.974	74.974	Education Services	130.624	(4.956)	125.668	125.668
20.371	(3.467)	16.904	16.904	Social Work	94.997	(15.992)	79.005	79.005
18.956	(3.688)	15.268	15.424	Roads and Transportation	20.757	(3.868)	16.889	16.889
16.164	(3.002)	13.162	13.162	Cultural and Related Services	16.718	(2.775)	13.943	14.092
56.338	(47.021)	9.317	9.317	Environmental Services	17.028	(3.946)	13.082	13.082
48.639	(38.914)	9.725	9.725	Other Housing Services	57.685	(46.923)	10.762	10.762
8.970	(0.138)	8.832	8.832	Housing Revenue Account	44.551	(40.349)	4.202	4.202
12.391	(7.178)	5.213	5.213	Police	-	-	-	-
5.575	-	5.575	5.575	Planning and Development	11.858	(4.371)	7.487	7.487
3.998	-	3.998	3.998	Fire	-	-	-	-
1.411	-	1.411	1.411	Corporate and Democratic Core	3.954	-	3.954	3.954
0.740	(1.816)	(1.076)	(1.076)	Non Distributed Costs	0.327	-	0.327	0.327
				Central Services to the Public	4.812	(3.514)	1.298	1.298
417.976	(125.585)	292.391	292.547	Net Cost Of Services	403.311	(126.694)	276.617	276.766
		1.539	1.539	(Gain) / Losses on disposals of assets			2.730	2.730
		293.930	294.086	Net Operating Expenditure			279.347	279.496
		(48.724)	(48.724)	Income from Council Tax			(39.810)	(39.810)
		(202.316)	(202.316)	Government Grants (not service specific)			(194.950)	(194.950)
		(26.529)	(26.529)	Distribution from NDR Pool			(28.547)	(28.547)
		(8.254)	(8.254)	Capital Grants & Contributions		Note 12	(7.387)	(7.387)
		(285.823)	(285.823)	Taxation & Non Specific Grant Income			(270.694)	(270.694)
		8.107	8.263	Net Operating Costs			8.653	8.802
		(27.915)	(27.915)	Financing and investment income and expenditure				
		-	13.935	Expected Return on Pension Assets			(24.564)	(24.564)
		(0.594)	(0.595)	Share of (Surplus) / Deficit on Provision of			-	(0.088)
		17.777	17.777	Services of Associates and Joint Ventures			(0.467)	(0.469)
		28.897	28.897	Interest and Investment Income			17.906	17.906
				Interest Payable and similar charges			31.616	31.616
				Pension Interest Cost				
		26.272	40.362	(Surplus) or Deficit on the Provision of Services			33.144	33.203
		1.817	1.777	(Surplus) or deficit on revaluation of fixed assets		Note 17	(40.666)	(40.541)
		(0.001)	(0.001)	(Surplus) or deficit on revaluation of available for			-	-
		35.009	35.009	sale financial assets		Note 29		
		-	34.637	Actuarial loss on pension assets / liabilities		Note 14	17.749	17.749
				Share of Other Comprehensive (Income) /			-	0.923
				Expenditure of Associates and Joint Ventures				
		63.097	111.784	Total Comprehensive (Income) / Expenditure			10.227	11.334

Balance Sheet

This shows the value of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported as Usable and Unusable. Usable Reserves are those 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. Unusable Reserves are those that the Council is not able to use to provide services and includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the MiRS line adjustments between accounting basis and funding basis under regulations.

31-Mar-13			31-Mar-14	
EAC	Group		EAC	Group
£m	£m		£m	£m
911.179	918.022	Property, Plant & Equipment <i>Note 17</i>	938.180	944.749
55.519	55.519	Heritage Assets <i>Note 21</i>	57.500	57.500
0.097	0.097	Intangible Assets <i>Note 20</i>	0.052	0.052
-	8.587	Investments in Associates and Joint Ventures	-	8.346
0.027	0.027	Non Current Receivables (Long Term Debtors) <i>Note 29</i>	0.024	0.024
966.822	982.252	Non Current Assets	995.756	1,010.671
2.992	2.992	Short Term Investments <i>Note 29</i>	7.303	7.303
1.244	1.244	Inventories <i>Note 22</i>	1.300	1.300
20.255	20.255	Debtors <i>Note 23</i>	27.884	27.884
2.253	2.253	Assets Held for Sale <i>Note 24</i>	1.918	1.918
21.262	21.262	Cash and Cash Equivalents <i>Note 25</i>	17.094	17.094
48.006	48.006	Current Assets	55.499	55.499
(13.637)	(13.430)	Short Term Borrowing	(13.622)	(13.413)
(46.619)	(46.619)	Creditors (including Provisions and Grants Receipts in Advance) <i>Note 26</i>	(54.882)	(54.882)
(60.256)	(60.049)	Current Liabilities	(68.504)	(68.295)
(156.294)	(156.294)	Pension Liabilities <i>Note 14</i>	(182.704)	(182.704)
(65.264)	(65.264)	Deferred Liabilities <i>Note 29</i>	(63.424)	(63.424)
(255.645)	(255.645)	Long Term Borrowing <i>Note 29</i>	(269.481)	(269.481)
-	(284.274)	Liabilities in Associates and Joint Ventures	-	(0.592)
(477.203)	(761.477)	Non Current Liabilities	(515.609)	(516.201)
477.369	208.732	Net Assets	467.142	481.674
59.703	59.703	Usable Reserves (Available to Fund Services) <i>MiRS</i>	49.538	49.538
-	2.494	Share of Usable Reserves of Associates and Joint Ventures	-	2.800
417.666	430.155	Unusable Reserves (Unrealised and Deferred Impact on Taxation) <i>Note 33</i>	417.604	417.604
-	(283.620)	Share of Unusable Reserves of Associates and Joint Ventures	-	11.732
477.369	208.732	Net Reserves	467.142	481.674

Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 26 June 2014 and the audited accounts were authorised for issue on 11 September 2014 .

Alexander McPhee ACMA
Executive Director of Finance and Corporate Support
16 September 2014

Cash Flow Statement

This shows the changes in cash and cash equivalents during year and reflects 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 the 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 to the Council.

2012-13			2013-14	
EAC	Group		EAC	Group
£m	£m		£m	£m
26.272	40.362	(Surplus) / Deficit on Comprehensive Income and Expenditure Statement	33.144	33.203
	(13.935)	Surplus / (Deficit) attributable to Associates and Joint Ventures	-	0.088
26.272	26.427	(Surplus) / Deficit on the Provision of Services	33.144	33.291
		Non Cash Items in the Comprehensive Income and Expenditure Statement		
(60.988)	(61.144)	Depreciation and Impairment	(48.975)	(48.850)
(2.514)	(2.514)	Carrying Amount of Fixed Assets Sold <i>Note 17</i>	(4.045)	(4.045)
-	-	Carrying Amount of Assets Held for Sale Sold in Year	(0.335)	(0.335)
(0.213)	(0.213)	Amount by which pension costs calculated in accordance with the SORP are different from the contributions due under the pension scheme <i>Note 14</i>	(8.661)	(8.661)
(0.001)	(0.001)	Available for Sale Financial Instruments - Fair Value Adjustment	0.001	0.001
(0.061)	(0.061)	EIR Stepped Loan Adjustment	(0.028)	(0.028)
(63.777)	(63.933)		(62.043)	(61.918)
		Changes in Working Capital		
0.076	0.076	Increase / (Decrease) in Stock and Work in Progress <i>Note 22</i>	0.056	0.056
(3.771)	(3.770)	Increase / (Decrease) in Debtors	11.938	11.936
6.934	6.934	(Increase) / Decrease in Creditors	(8.205)	(8.205)
3.239	3.240		3.789	3.787
		Adjustments for Items which are included in the net surplus or deficit on the provision of services that are investing or financing activities		
4.700	4.700	Net (Increase) / Decrease in Short Term Deposits	(4.311)	(4.311)
8.254	8.254	Capital Grants Applied	7.387	7.387
0.975	0.975	Sale of Fixed Assets	1.651	1.651
13.929	13.929		4.727	4.727
(20.337)	(20.337)	Net Cash Outflow / (Inflow) from Operating Activities	(20.383)	(20.113)
		Investing Activities		
62.856	62.856	Cash Outflows: Purchase of Fixed Assets <i>Note 17</i>	41.288	41.288
-	-	Increase in Short Term Deposits	4.310	4.310
62.856	62.856		45.598	45.598
(0.975)	(0.975)	Cash Inflows: Sale of Fixed Assets <i>Note 5</i>	(1.651)	(1.651)
(4.700)	(4.700)	Decrease in Short Term Deposits	-	-
(8.254)	(8.254)	Capital Grants Received <i>Note 12</i>	(7.387)	(7.387)
(13.929)	(13.929)		(9.038)	(9.038)
48.927	48.927	Net Cash Outflow / (Inflow) from Investing Activities	36.560	36.560
		Financing		
2.024	2.024	Cash Outflows: Repayments of Amounts Borrowed	-	-
(16.058)	(16.058)	Capital Element of Finance Lease Rental Payments	1.808	1.808
		Cash Inflows: New Loans Raised	(13.817)	(13.817)
(14.034)	(14.034)	Net Cash Outflow / (Inflow) from Financing Activities	(12.009)	(12.009)
14.556	14.556	Net (Increase) / Decrease in Cash and Cash Equivalents	4.168	4.438
35.818	35.818	Cash and Cash Equivalents at the start of the reporting period <i>Note 25</i>	21.262	21.262
21.262	21.262	Cash and Cash Equivalents at the end of the reporting period <i>Note 25</i>	17.094	17.094

Note to Cash Flow Statement – Included in Operating Activities is Interest paid in year of £17.648m; (2012/13, £17.505m) and Interest received in year £0.444m; (2012/13, £0.559m).

Notes to the Financial Statements

The notes present information about the basis of preparation of the Financial Statements and the specific accounting policies used, disclose the information required by the Code that is not presented elsewhere in the Financial Statements and provide information that is not presented elsewhere but is relevant to understanding them.

Other Statements

Statement	Information provided
Council Tax Income Account	Council Tax collectable by the Council and the basis on which it is levied. The residual collection of outstanding Community Charge is also shown.
Non-Domestic Rate Account	Income collectable by the Council and the amount contributable to the national pool.
Common Good Account	Funds held under statute for the people in the former burghs of Stewarton, Darvel, Newmilns, Cumnock, Galston and Kilmarnock.
Trusts and Bequests	The income and expenditure in respect of donations previously made by individuals and organisations. The Balance Sheet shows the balance on these funds at 31 March.
Group Accounts	Consolidates the Financial Statements of the Council and its subsidiaries and associates. The Group Accounts are shown alongside the single entity figures on each of the primary statements: Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement.

Note 1 – Accounting Policies (including alignment of accounting policies)

1.1 General Principles

The Financial Statements summarise the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. Relevant figures for the 2012/13 financial year are disclosed as appropriate for the purpose of comparison. The Council is required to prepare annual Financial Statements by the *Local Authority Accounts (Scotland) Regulations 1985*.

Section 12 of the *Local Government in Scotland Act 2003* requires such Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code)* and the *CIPFA Service Reporting Code of Practice (SeRCOP)*, supported by *International Financial Reporting Standards (IFRS)*. These are designed to give a "true and fair view" of the financial performance of the Council and its Group.

Notes to the Financial Statements

The fundamental qualitative characteristics of **Relevance**, **Materiality** and **Faithful Representation** have been considered alongside the following Accounting Concepts and assumptions in the application of the accounting policies.

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

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

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non/current assets and financial instruments.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts. Income includes all sums due to the Council for the year of account. Government grants and other contributions are accounted for on an accruals basis and are recognised as income when the conditions of entitlement have been satisfied and there is reasonable assurance that the monies will be received. An appropriate provision has been made for bad and doubtful debts.
- Expenses (including services provided by employees) in relation to services are recorded on an accruals basis. Where supplies are received and there is a gap between the date received and their consumption, they are carried as inventories on the Balance Sheet.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months of the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown in the Balance Sheet and Cash Flow net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Material Items and Prior Period Adjustments

When items of income and expenditure are considered to be material to the understanding of the Council's financial performance, the nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Change in accounting estimates are accounted for prospectively, prior period figures will not be restated. Changes in accounting policy are applied retrospectively, prior period figures will be restated unless the Code specifies otherwise.

Notes to the Financial Statements

1.5 Charges to Revenue for Non-Current Assets

Services are charged 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 contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Loans Fund principal, by way of an adjusting transaction between the General Fund and the Capital Adjustment Account within the Movement in Reserves Statement.

1.6 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. An accrual is made for the cost of holiday entitlements or any form of leave 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 to 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 and agreement to the termination has been granted by Cabinet.

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 - The Council participates in two separate pension schemes, the Local Government Pension Scheme, which is administered by Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Notes to the Financial Statements

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 contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. 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 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 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 projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate utilised by the actuaries to place a value on the liability. The assets of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property.

The change in the net pensions liability is accounted for as required by International Accounting Standard 19 Employee Benefits. Explanation of terms used are contained in the Glossary section at the final section of this document.

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.

1.7 Events After the Balance Sheet Date

Events after the Balance Sheet date are those that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Where the event is deemed to be an adjusting event the Financial Statements are adjusted to reflect such events. Events taking place after the date of authorisation for issue are not reflected in the Financial Statements.

1.8 Financial Liabilities

Financial liabilities 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 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.

Notes to the Financial Statements

Borrowings presented in the Balance Sheet comprise the outstanding principal repayable plus accrued interest. Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the 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.

1.9 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 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.

Where assets are identified as impaired, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line 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.

1.10 Government Grants and Contributions

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.

Notes to the Financial Statements

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. 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. In cases where the condition of grant cannot be satisfied by the Council, then the monies will be returned to the transferor.

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.

1.11 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 (i.e. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months.

Intangible assets are initially measured at cost. Amounts are not revalued, 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 (assessed as between one to six years) to the relevant service lines in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible asset qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains 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.

1.12 Interests 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 it to prepare group accounts. In the Council's own single-entity accounts, such interests are not recorded as the Council has no shares in or ownership of any of these organisations.

1.13 Inventories

Consumable Stocks and Work-In-Progress are valued on a cost price basis except in the case of Housing Asset Services where average cost is used.

1.14 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.

Notes to the Financial Statements

The Council as Lessee - Operating Leases: The Council rents various offices and buildings as tenant on a variety of lease terms that are accounted for as operating leases. Rentals paid under operating leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property over the term of the lease.

The Council as Lessor - Operating Leases: Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure.

All overheads not defined as corporate and democratic core or non-distributed costs are fully charged to service expenditure headings. A proportion of the costs of central support services is also recharged to capital projects.

1.16 Property, Plant and Equipment

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

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Plant, furniture and computer equipment costing less than £6,000 are not treated as Property, Plant and Equipment and are charged to the appropriate service line in the Comprehensive Income and Expenditure Account. This de-minimus does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Notes to the Financial Statements

In respect of Component Accounting, the assessment of which components are recognised and depreciated separately is based upon the cost of each component. Significance will be determined by comparing a component's cost against the overall cost of an asset rather than as an absolute amount. The threshold for a significant component shall be 15% of the overall cost of the asset but only where the overall asset value is in excess of £1m.

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

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, in a limited number of instances depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. Where non-property assets have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end but as a minimum every five years. The Council revalues its land and buildings in a rolling five-yearly programme. The valuations have been compiled within the statutory 5-year rolling programme by RICS professional staff under the direction of the Executive Director of Finance and Corporate Support. Surplus assets held for sale are not exempt from depreciation. The Council's dwelling stock was revalued at 1 April 2013.

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

Impairment: Officers of the Council, as part of their normal duties, report at the end of the financial year on any material events that affect the value of assets. 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 initially debited to the Revaluation Reserve up to the total value of any revaluation gains held for the individual asset. Thereafter impairment losses are recognised against the relevant service lines in the Comprehensive Income and Expenditure Statement. Where an impairment loss is subsequently reversed, 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.

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

Notes to the Financial Statements

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

- | | | | |
|---------------------|-------------|-------------------------|-------------|
| • Council Dwellings | 20-25 years | • Operational Buildings | 20-60 years |
| • Community Assets | 20-25 years | • Operational Equipment | 2-20 years |

The depreciation of Infrastructure Assets varies according to the assets held and is determined by the condition of the asset.

Where an item of Property, Plant and Equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately in accordance with the Council's policy.

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

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

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

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

When these criteria are met, assets within the category of Property, Plant and Equipment will be reclassified to be held for sale. The date of reclassification will normally follow the approval by Cabinet to sell the asset.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Assets Held for Sale, and their recoverable amount at the date of the decision not to sell.

When 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.

Notes to the Financial Statements

The written-off value of disposals is not a charge against 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.

1.17 Heritage Assets

Heritage Assets are defined in the Code as: “A *tangible (or intangible) asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.*” The heritage assets held by the Council and its common good and trust funds are:

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

Heritage Assets do not include:

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

Heritage Assets are presented separately in the balance sheet from other property plant and equipment assets. The notes to the Financial Statements identify the classes of heritage assets being reported at cost and those at valuation. The valuation of Heritage Assets is based upon information held in catalogues or inventories maintained within the Council.

A considerable number of heritage assets (such as collections that have primarily a scientific and cultural value rather than a financial one, public space statutes, 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.

1.18 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 assets 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 revalued and depreciated in the same way as other non-current assets owned by the Council.

Notes to the Financial Statements

The amounts payable to the PFI operator each year are analysed into:

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

1.19 Provisions and Contingent Liabilities

Provisions are made where a past event creates a legal or constructive obligation for the Council which 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 made, they are charged to the provision carried 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 Liabilities arise where an event has taken place that gives the Council a possible obligation 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 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 Liabilities (and Assets) are not recognised in the Balance Sheet but disclosed in a Note to the Financial Statements where they are deemed material.

1.20 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

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

Notes to the Financial Statements

1.21 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 into Usable and Unusable.

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

Unusable Reserves (which are unrealised and have a deferred impact on taxation): These reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and 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 IAS 19 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 Accumulated Absences Reserve arises from IAS 19 accounting disclosures for Short Term Accumulated Benefits and recognises the Council's liability for compensated absences earned by staff but not taken in the year. The Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Reserve.

1.22 VAT

In general, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue and Customs and all VAT paid is recoverable. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure e.g. leases 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.

Notes to the Financial Statements

Note 2 – Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2014/15 Code:

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

The Code requires implementation from 1 April 2014 and there is therefore no impact on the 2013/14 Financial Statements.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 relate specifically to the group accounts. These new or amended standards include a change to the definition of control and will require consideration of joint arrangements, a reassessment of the group boundary and potentially further disclosure.

IAS 32 outlines disclosure requirements in respect of offsetting financial assets and liabilities. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

Note 3 – Critical Judgements in Applying Accounting Policies

The preparation of the consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 1 and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The critical judgements made in the Financial Statements are:

- Management judgement was applied to assess the impact of the Council's involvement in the opencast mines within East Ayrshire within the Financial Statements. After consideration and having regard to relevant legal outcomes, the appropriate accounting standards and subsequent tests it is considered that no liability rests with the Council.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets that might be impaired as a result of a need to close facilities and reduce levels of service provision.

Notes to the Financial Statements

- Unused holiday entitlement earned at 31 March 2014 but not taken at that date has been quantified on the basis of a 8.54% sample of all non term time Council employees. The sample is representative of the payroll population and is proportionate to the number of staff within each grade. However, due to the nature of the sample taken, there may be an element of uncertainty in the final calculation. The calculation in respect of unused holidays for term time staff in schools is based on actual leave entitlement earned as at 31 March 2014 and no estimation is required for these staff. The liability shown in the 2013/14 Financial Statements in respect of the holiday pay accrual is £7.353m.

Note 4 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

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

- 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. 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 in the pension liability of £90.397m. However, the assumptions interact in complex ways. During 2013/14, the Pension Fund's actuaries advised that the Council's share of the net pension liability has increased by £26.410m as a result of estimates being corrected as a result of experience.
- At 31 March 2014, the Council had a balance of sundry debtors of £8.616m. A review of significant balances suggested that an allowance for doubtful debts of 42.0% (£3.615m) was appropriate. In terms of financial modelling a 1% increase in the allowance would lead to an additional cost to the Council of £0.090m.
- A number of Equal Pay claims have been received by the Council covering the period prior to the introduction of Single Status within East Ayrshire Council and the four year pay protection period which followed. Although these claims have still to be subject to Employment Tribunal hearings there is uncertainty due to the lack of Scottish case authority and therefore provision has been made on the basis of potential estimated liabilities. If the estimation is understated or additional claims are received then further funding may be required.
- The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PFI 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. 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.

Notes to the Financial Statements

Note 5 – Material Items of Income and Expense

During 2013/14 the Council disposed of assets and achieved capital receipts totalling £1.651m. The carrying value of these assets on the Balance Sheet was £4.380m.

A number of efficiency improvements and cost reduction measures were implemented during the year. As part of this, severance payments of £7.860m. have been recognised in the Financial Statements.

During the year, the Council established a Scottish Charitable Incorporated Organisation (SCIO) to manage a range of leisure services on behalf of the Council. East Ayrshire Leisure Trust became operational on 1 July 2013. As part of this arrangement the Council paid East Ayrshire Leisure Trust £4.520m in 2013/14.

The provision for Equal Pay was reviewed in line with the requirements of the accounting standard and following updates regarding recent information regarding claims.

Prior to the year end the Council received £0.070m in restructuring bonds from the open coal cast mining sites. In addition two further bonds totalling £0.950m were received after the Balance Sheet date of 31 March 2014 and Cabinet on 4 June 2014 agreed to accept a settlement of a further £6m. These funds will be held by the Council in an earmarked fund for future use.

Note 6 – Capital Commitments

The Council has entered into a number of contractual commitments for capital investment:

Scheme	Commitment £m
Affordable Housing - Ayr Road, Cumnock	1.168
Affordable Housing - Cambelton Drive, Kilmarnock	4.403
Affordable Housing - Chapel Lane, Galston	3.162
Affordable Housing - Portland Street, Kilmarnock	2.100
Affordable Housing - Rennie Street, Kilmarnock	1.313
Affordable Housing - Robertland Square, Stewarton	0.672
Affordable Housing - West Langlands St, Kilmarnock	3.339
Affordable Housing - Witch Road, Kilmarnock	1.419
Kilmarnock Adult Day Care / Flowerbank Nursery - New Build	0.523
Moorfield Industrial Estate - Infrastructure Phase 2	0.381
Onthank Primary - Nursery & Extension	2.824
Rowantree Court, Drongan - Specialist Re-Roofing	0.256
Total	21.560

Details of the Council's capital programme can be found at www.east-ayrshire.gov.uk

Note 7 – Impairment Losses

During 2013/14, the Council recognised an impairment loss of £10.318m as a result of the revaluation of Property, Plant and Equipment. The assets have been reduced to their new value in use and relevant impairment losses have been charged to the services in the Comprehensive Income and Expenditure Statement.

Notes to the Financial Statements

Note 8 – Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service in the CIES is specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports, prepared on a different basis from that used in the CIES. In particular, no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES. The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for within the department it relates to.

Segmental Reporting Disclosure - The income and expenditure of the Council's principal departments is as follows:

2012/13 Total £m		Educational and Social Services £m	Neighbourhood Services £m	Finance and Corporate Support £m	Total General Fund £m	Housing Revenue Account £m	2013/14 Total £m
		2012/2013					
	Total Income	(20.775)	(18.397)	(6.215)	(45.387)	(48.182)	(93.569)
	Total Operating Expenses	198.931	76.942	30.113	305.986	47.224	353.210
	Cost of Services	178.156	58.545	23.898	260.599	(0.958)	259.641
		2013/2014					
(88.134)	Fees, Charges & Other Income	(19.469)	(14.689)	(4.980)	(39.138)	(48.664)	(87.802)
(5.435)	Government Grants	(2.365)	(1.056)	(1.102)	(4.523)	(0.542)	(5.065)
(93.569)	Total Income	(21.834)	(15.745)	(6.082)	(43.661)	(49.206)	(92.867)
170.460	Employees	117.851	18.919	18.793	155.563	12.422	167.985
27.749	Premises	8.830	1.467	7.527	17.824	5.929	23.753
11.193	Transport	6.550	2.930	0.159	9.639	1.527	11.166
28.990	Supplies and Services	8.354	9.478	3.973	21.805	4.791	26.596
90.320	Third Party Payments	52.478	15.643	0.250	68.371	3.052	71.423
7.821	Transfer Payments	8.338	-	0.803	9.141	-	9.141
15.763	Other Operating Expenses	0.076	1.496	0.142	1.714	14.708	16.422
0.914	Support Service Recharges	-	-	(3.170)	(3.170)	3.718	0.548
353.210	Total Operating Expenses	202.477	49.933	28.477	280.887	46.147	327.034
259.641	Cost of Services	180.643	34.188	22.395	237.226	(3.059)	234.167

Reconciliation to Net Cost of Service in Comprehensive Income and Expenditure Statement

2012/13 £m		2013/14 £m	2013/14 £m
259.641	Cost of Services Analysis		234.167
	Services not included in the Analysis		
28.095	Central Services		36.481
	Amounts not reported in the Management Accounts		
	Pensions Adjustments	1.609	
	Accumulated Absences Adjustments	1.220	
26.098	Capital Charges	13.064	15.893
	Amounts reported in the Management Accounts not included on CIES		
(10.190)	CFCR	(10.804)	
(9.718)	Police Specific Grant	-	
(1.535)	Transfers to/from Reserves	0.880	(9.924)
292.391	Net Cost of Services in Comprehensive Income and Expenditure Statement		276.617

Notes to the Financial Statements

Reconciliation to Comprehensive Income and Expenditure Statement

2012/13 Total		Service Analysis	Services not in Analysis	Not reported in Management Accounts	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	2013/14 Total
£m		£m	£m	£m	£m	£m	£m	£m	£m
(85.853)	Fees, Charges & Other Income	(87.803)	(1.947)	-	-	2.319	(87.431)	-	(87.431)
(0.594)	Interest and Investment Income	-	-	-	-	-	-	(0.467)	(0.467)
(48.724)	Income from Council Tax	-	-	-	-	-	-	(39.810)	(39.810)
(296.085)	Government Grants	(5.066)	(43.293)	-	-	-	(48.359)	(230.883)	(279.242)
(431.256)	Total Income	(92.869)	(45.240)	-	-	2.319	(135.790)	(271.160)	(406.950)
156.855	Employees Related Expenditure	167.986	10.259	1.220	-	(16.159)	163.306	-	163.306
171.318	Other Service Expenditure	158.501	72.592	(45.107)	(9.924)	(17.399)	158.663	-	158.663
37.879	Support Service Recharges	0.549	(1.130)	-	-	31.239	30.658	-	30.658
60.988	Capital Charges	-	-	48.975	-	-	48.975	-	48.975
10.190	CFCR	-	-	10.804	-	-	10.804	-	10.804
28.897	Pension Interest Costs	-	-	-	-	-	-	31.616	31.616
(27.915)	Expected Return on Pension Assets	-	-	-	-	-	-	(24.564)	(24.564)
17.777	Interest Payments	-	-	-	-	-	-	17.906	17.906
1.539	Loss on Disposal of Fixed Assets	-	-	-	-	-	-	2.730	2.730
457.528	Total Operating Expenses	327.036	81.721	15.892	(9.924)	(2.319)	412.406	27.688	440.094
26.272	Surplus on the Provision of Services	234.167	36.481	15.892	(9.924)	-	276.616	(243.472)	33.144

Note 9 – External Audit Costs

The Council has incurred £0.280m (£0.262m 2012/13) in relation to the audit of the Financial Statements, certification of grant claims and statutory inspections and in relation to non- audit services provided by the Council's external auditors. In addition £0.003m will be levied by Audit Scotland in respect of the audit of the Trusts noted on Page 72.

Note 10 – PPP and Similar Contracts

The Council has entered into a Public Private Partnership for the provision of school buildings, maintenance and other facilities. The agreement provides the Council with two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The contractor is required to ensure the availability of these buildings to a pre-agreed standard. The buildings and any plant and equipment installed in them at the end of the contract will transfer to the Council for nil consideration. The schools provided under the agreement became operational during 2007/08 and 2008/09 and the resultant assets and liabilities have been recognised on the Balance Sheet of the Council. Movements in their value over the year are detailed in the analysis of movement in the Property, Plant and Equipment balance in Note 17 on page 42. The Council makes an agreed payment by way of a monthly unitary charge over the term of the agreement, which is increased each year by an inflationary element based on RPI and RPIX at January of each year, and which can be reduced if the contractor fails to meet availability and performance standards. The unitary charge includes the repayment of construction costs, interest and service charges and the projected payments due under the agreement, based on assumed RPI and RPIX of 2.5% per annum.

Notes to the Financial Statements

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2014-2015	3.579	1.840	4.137	9.556
Payable within two to five years	17.008	7.035	16.130	40.173
Payable within six to ten years	25.549	9.522	19.916	54.987
Payable within eleven to fifteen years	29.699	11.548	19.104	60.351
Payable within sixteen to twenty years	30.339	16.764	20.568	67.671
Payable within twenty one to twenty five years	24.970	18.555	17.426	60.951
Total	131.144	65.264	97.281	293.689

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

2012-2013 £m		2013-2014 £m
69.095	Balance outstanding at start of year	67.071
(2.024)	Payments during the year	(1.807)
67.071	Balance outstanding at year-end	65.264

Note 11 – Operating Leases

Council as Lessee : The Council has a number of assets under operating leases including properties, vehicles and plant and IT hardware. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2013 £m		31 March 2014 £m
1.029	Not later than one year	1.042
2.488	Later than one year and not later than five years	2.870
6.041	Later than five years	6.007
9.558		9.919

The expenditure charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1.441m (£1.640m in 2012/13).

Council as Lessor : The Council leases out properties under operating leases for the following purposes:

- for the provision of community services such as sports facilities and community facilities;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

31 March 2013 £m		31 March 2014 £m
0.395	Not later than one year	0.664
0.971	Later than one year and not later than five years	1.215
4.169	Later than five years	4.021
5.535		5.900

Notes to the Financial Statements

Note 12 – Grant Income

The Council credited the following grants, contributions and donations to the Income and Expenditure Statement in 2013/14.

2012-2013		2013-2014	
£m	Credited to Taxation and Non Specific Grant Income		£m
202.316	Revenue Support Grant		194.950
26.529	Non-Domestic Rates		28.547
10.289	DWP Council Tax Benefits		-
239.134			223.497
	Capital Grants		
6.111	General Capital Grant		6.055
0.005	Moorfield Business Park - ERDF Grant		1.044
0.231	SPT Transport Grant		0.146
0.125	Specific Capital Grant - CWSS		0.128
0.226	Electric Vehicle Procurement Support Scheme - Transport Scotland		0.014
0.801	Gargieston Primary School - Scottish Futures Trust		-
0.300	Council House Building Programme		-
0.300	Ayrshire Athletics Arena - SportsScotland		-
0.109	Jamieson Park Pavilion - Insurance Settlement		-
0.046	Developer Contributions		-
8.254			7.387
247.388	Total		230.884
£m	Credited to Services		£m
43.772	DWP Housing Benefits		43.275
1.788	Criminal Justice Grant		1.778
1.202	European Social Fund Grant		1.166
1.223	DWP Benefits Administration Grants		1.102
-	WRAP Grant		0.888
0.431	Skills Development Scotland Skillseeker Grant		0.597
0.277	Conservation Area Regeneration Scheme - Heritage Lottery Grant		0.583
0.520	Private Sector Housing Grant		0.579
0.452	Alcohol and Drug Partnership Funding		0.577
0.469	Older People's Change Fund		0.563
0.510	Conservation Area Regeneration Scheme - Historic Scotland Contribution		0.478
0.310	Active Schools Grant		0.306
0.071	Universal Home Insulation Scheme		0.292
0.153	Self Directed Support		0.270
-	Cumnock Town Hall Grant		0.265
0.494	Housing Support Grant		0.224
0.190	Youth Music Initiative		0.182
-	Galleon Grant		0.149
-	Big Lottery Funding		0.110
-	East Ayrshire Woodlands - Forestry Commission Grant		0.110
0.196	Palace Theatre Grant		-
0.160	Newmilns Ski Slope Grant		-
0.451	Various Minor Education Services Grants & Contributions		0.846
0.106	Various Minor Planning & Development Grants & Contributions		0.118
0.065	Various Minor Social Work Grants & Contributions		0.080
0.034	Various Minor Environmental Services Grants & Contributions		0.066
-	Various Minor Other Housing Services Grants & Contributions		0.042
0.030	Various Minor Police Services Grants & Contributions		0.030
0.005	Various Minor Roads and Transportation Grants & Contributions		0.016
0.078	Various Minor Cultural & Related Services Grants & Contributions		-
0.003	Various Minor Corporate & Democratic Grants & Contributions		-
52.990	Total		54.692

Notes to the Financial Statements

Note 13 – Agency Services

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water along with its own Council Tax. During 2013/14 the Council received £0.319m for providing this service (2012/13 £0.319m). The Council also acts as agent on behalf of the Scottish Government in respect of the collection of Non-Domestic Rates.

Note 14 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Superannuation (Scotland) Scheme, the Strathclyde Pension Scheme, administered by Glasgow City Council on behalf of the scheduled and admitted bodies in the West of Scotland. This is a funded defined benefit final salary scheme, meaning that employees and the Council pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Council has additional liabilities for unfunded discretionary pension payments outside the main scheme.

The Strathclyde Pension Scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Glasgow City Council. Policy is determined in accordance with the Pensions Fund 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.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Financial Statements in 2013/14 and the prior year 2012/13.

Notes to the Financial Statements

2012-2013 £m	Local Government Pension Scheme	2013-2014 £m
	<i>Comprehensive Income and Expenditure Statement (CIES)</i>	
	<i>Cost of Services:</i>	
14.869	Current service costs	18.212
1.293	Past service costs (including curtailments)	1.828
0.118	Unfunded Benefits	(1.501)
	<i>Financing and Investing Income and Expenditure:</i>	
5.915	Net Interest Expense	7.052
22.195	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	25.591
	<i>Other Post Employment Benefit Charged to the CIES:</i>	
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
(48.371)	Expected return on pension fund assets	(12.008)
78.200	Actuarial (gains) or losses arising on changes on financial assumptions	29.685
0.247	Actuarial (gains) or losses arising from other experience	0.072
52.271	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	43.340
	<i>Movement in Reserves Statement (MIRS)</i>	
(35.222)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(26.410)
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
17.049	Employers' contributions payable to Strathclyde Pension Fund	16.930

Pension Assets and Liabilities on the Balance Sheet

2012-2013 £m		2013-2014 £m
(709.112)	Present Value of The Defined Benefit Obligation *	(762.975)
552.818	Fair Value of Pension Fund Assets	580.271
(156.294)	Net Liability arising from Defined Benefit Obligation	(182.704)
	*Unfunded Liabilities included in the figure for present value of liabilities	
(17.858)	- unfunded liabilities for Pension Fund	(18.743)
(19.977)	- teachers unfunded pensions	(21.930)
(9.953)	- unfunded liabilities prior to 1996 local government reorganisation	(9.799)

Reconciliation of Present Value of the Scheme liabilities (Defined Benefit Obligation)

2012-2013 £m		2013-2014 £m
(602.269)	Opening balance at 1 April	(709.112)
(14.869)	Current Service Cost	(18.212)
(28.897)	Interest Cost	(31.616)
(4.576)	Contributions by Pension Fund Participants	(4.480)
	Re-measurement gains and (losses)	
-	Actuarial gains / (Losses) from changes in demographic assumptions	-
(78.200)	Actuarial gains / (Losses) from changes in financial assumptions	(29.685)
(0.247)	Actuarial gains / (Losses) from other experience	(0.072)
(1.293)	Past service costs	(1.828)
(0.118)	Settlements and Curtailments	11.307
21.357	Benefits Paid	20.723
(709.112)	Closing balance at 31 March	(762.975)

Notes to the Financial Statements

Reconciliation of Fair Value of the Scheme (plan) assets

2012-2013		2013-2014
£m		£m
481.197	Opening Fair Value of Pension Fund Assets	552.818
22.982	Interest Income	24.564
	Re-measurement gains and (losses)	
48.371	Expected rate of return on pension fund assets	12.008
17.049	Contributions from employers	16.930
4.576	Contributions from employees into the scheme	4.480
(21.357)	Benefits Paid (including settlements)	(30.529)
552.818	Closing balance at 31 March	580.271

Analysis of Pension Fund Assets

Asset Category	2013-2014				2012-2013			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Totals	%	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Totals	%
Equity Securities	211.563	0.446	212.009	36%	200.606	0.221	200.827	37%
Debt Securities	-	0.004	0.004	0%	-	0.003	0.003	0%
Private Equity	-	54.727	54.727	9%	-	53.375	53.375	10%
Real Estate	-	40.650	40.650	7%	-	35.461	35.461	6%
Investment Funds and Unit Trusts	14.363	230.644	245.007	42%	15.055	228.147	243.202	43%
Derivatives	0.123	-	0.123	0%	(0.097)	-	(0.097)	0%
Cash & Cash Equivalents	-	27.752	27.752	5%	-	20.046	20.046	4%
Closing balance at 31 March	226.049	354.222	580.271	100%	215.564	337.254	552.818	100%

(Please note, the actuary who provided the figures in this table stated that the sum of individual items may not equal the totals shown due to rounding)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2011.

	Local Government Pension Scheme	
	2013-14	2012-13
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.3%	4.5%
Bonds	4.3%	4.5%
Property	4.3%	4.5%
Cash	4.3%	4.5%
Mortality assumptions: (years)		
Longevity at 65 for current pensioners:		
Men	21.0	21.0
Women	23.4	23.4
Longevity at 65 for future pensioners:		
Men	23.3	23.3
Women	25.3	25.3
Rate of inflation	2.8%	2.8%
Rate of increase in salaries	5.1%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

Notes to the Financial Statements

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

Change in Assumptions at 31 March 2014

	Approximate % increase in Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	12%	90.397
1 Year increase in member life expectancy	3%	22.595
0.5% increase in the Salary Increase Rate	5%	38.093
0.5% increase in the pension Increase Rate	8%	60.300

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

Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into narrow a range. The Fund invests in equities, bonds, properties and in cash.

Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2014/15. The next three years will be set following completion of the triennial valuation as at 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 revalued earning scheme (CARE) for future accruals.

The total contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2015 is £13.838m.

Notes to the Financial Statements

The assumed weighted average duration of the defined benefit obligation is 17.8 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

Change in Accounting Policy IAS 19R

In June 2011 the International Accounting Standards Board (IASB) issued a new version of IAS 19. This applies to financial years starting on or after 1 January 2013. The key change is that the interest cost and expected return on assets components of profit are now combined into a net figure.

The impact on the Council's financial position for 2012/13 is cost neutral as pension costs are reversed out of the General Fund to the Unusable Pensions reserve in the Movement in Reserves Statement. However the change would result in a redistribution of £4.933m being charged to the Surplus / Deficit on the Provision of Services as shown in the table below. Comparator figures in the Comprehensive Income and Expenditure Statement have not been restated to reflect this change.

Changes to Prior Year Comparators	2012-13 Restated £m	2012-13 Original £m	Effect £m
Adjustment the Net Interest and Pension Interest Costs included in Surplus / deficit on the provision of services	33.830	28.897	4.933
Adjusted Surplus / Deficit on the Provision of Services	31.205	26.272	4.933
Adjustment to Actuarial Gains / Losses on Pension Assets / Liabilities	30.076	35.009	(4.933)
Total Comprehensive (Income) / Expenditure	63.097	63.097	-

Note 15 – Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. The Scheme provides teachers with specified 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 technically a defined benefit scheme. Unlike the Local Government Scheme, the Council is not required to apply IAS 19 disclosures in respect of the Teachers' Superannuation Scheme as the liability for payment of pensions rests ultimately with the Scottish Government. Therefore, the costs recorded within the Comprehensive Income and Expenditure Statement in respect of this scheme are the actual contributions made during the year. For the purposes of the Financial Statements, this scheme is, therefore, accounted for on the same basis as a defined contribution scheme.

Contributions by East Ayrshire Council during 2013/14 amounted to £6.434m, representing 15.1% of pensionable pay (2012/13 £6.408m, 14.9% of pensionable pay). In addition, contributions totalling £0.543m, 1.3% of pensionable pay, were made in respect of discretionary payments (2012/13 £0.525m, 1.2% of pensionable pay).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

Notes to the Financial Statements

Note 16 – Analysis of Assets held at Current Value

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£m	£m	£m	£m	£m
Carried at historical cost	-	-	13.706	-	13.706
valued at fair value as at:					
31 March 2014	408.404	26.282	-	-	434.686
31 March 2013	-	60.594	-	0.050	60.644
31 March 2012	-	33.951	-	0.018	33.969
31 March 2011	-	35.968	-	2.125	38.093
31 March 2010	-	297.891	-	0.850	298.741
Total Cost or Valuation	408.404	454.686	13.706	3.043	879.839

Note 17 – Property Plant and Equipment

2013-2014	OPERATIONAL ASSETS				NON-OPERATIONAL		2013/14 Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation:							
At 1 April 2013	515.625	485.601	25.616	86.658	3.168	16.257	1,132.925
Expenditure	10.608	5.659	5.935	6.503	-	12.583	41.288
Revaluations:							
To Revaluation Reserve	(91.989)	1.703	-	-	-	-	(90.286)
To Net Cost of Services	(5.121)	(5.197)	-	-	-	-	(10.318)
Disposals	(3.702)	(0.095)	(1.130)	-	-	-	(4.927)
Assets reclassified (to)/from Held for	-	-	-	-	-	-	-
Other movements	-	24.726	-	-	-	(24.726)	-
At 31 March 2014	425.421	512.397	30.421	93.161	3.168	4.114	1,068.682
Depreciation and Impairment:							
At 1 April 2013	(127.829)	(45.617)	(13.866)	(34.341)	(0.093)	-	(221.746)
Depreciation charge	(17.017)	(13.239)	(3.731)	(4.593)	(0.032)	-	(38.612)
Depreciation written out							
To Revaluation Reserve	127.829	1.145	-	-	-	-	128.974
Disposals	-	-	0.882	-	-	-	0.882
At 31 March 2014	(17.017)	(57.711)	(16.715)	(38.934)	(0.125)	-	(130.502)
Net Book Value at 31 March 2013	387.796	439.984	11.750	52.317	3.075	16.257	911.179
Net Book Value at 31 March 2014	408.404	454.686	13.706	54.227	3.043	4.114	938.180

Notes to the Financial Statements

2012-2013	OPERATIONAL ASSETS				NON-OPERATIONAL		Total
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus	Assets Under Construction	
	£m	£m	£m	£m	Assets Not Held for Sale £m	£m	£m
Cost or Valuation:							
At 1 April 2012	502.777	456.901	21.901	81.558	3.174	24.659	1,090.970
Expenditure	14.248	20.798	3.873	5.100	-	18.829	62.848
Revaluations:							
To Revaluation Reserve	-	(2.924)	-	-	-	-	(2.924)
To Net Cost of Services	-	(14.899)	-	-	(0.006)	-	(14.905)
Disposals	(1.457)	(1.449)	(0.158)	-	-	-	(3.064)
Assets reclassified (to)/from Held for	-	-	-	-	-	-	-
Other movements	0.057	27.174	-	-	-	(27.231)	-
At 31 March 20143	515.625	485.601	25.616	86.658	3.168	16.257	1,132.925
Depreciation and Impairment:							
At 1 April 2012	(102.464)	(34.114)	(10.794)	(29.933)	(0.062)	-	(177.367)
Depreciation charge	(25.663)	(12.717)	(3.217)	(4.408)	(0.031)	-	(46.036)
Depreciation written out							
To Revaluation Reserve	-	1.107	-	-	-	-	1.107
Disposals	0.298	0.107	0.145	-	-	-	0.550
At 31 March 20143	(127.829)	(45.617)	(13.866)	(34.341)	(0.093)	-	(221.746)
Net Book Value at 31 March 2012	400.313	422.787	11.107	51.625	3.112	24.659	913.603
Net Book Value at 31 March 2013	387.796	439.984	11.750	52.317	3.075	16.257	911.179

Note 18 – PPP Assets Included in Property, Plant and Equipment

2012-13		2013-14
£m		£m
81.100	Cost or Valuation at 1 April	81.100
81.100	Cost or Valuation at 31 March	81.100
(8.624)	Depreciation and Impairment at 1 April	(10.652)
(2.028)	Depreciation charge	(2.028)
(10.652)	Depreciation or Impairment at 31 March	(12.680)
72.476	Opening Net Book Value	70.448
70.448	Closing Net Book Value	68.420

Notes to the Financial Statements

Note 19 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table together with the resources that have been used to finance it.

	2013-2014	2012-2013
	£m	£m
Opening Capital Financing Requirement	374.473	349.046
<i>Capital investment</i>		
Property, Plant and Equipment	41.288	62.848
Intangible Assets	-	0.008
Revenue Expenditure Funded from Capital under Statute	0.996	0.941
<i>Sources of finance</i>		
Capital receipts	(1.379)	(0.783)
Government grants and other contributions	(8.383)	(9.195)
Transfer from Capital Fund	(2.341)	(2.251)
Sums set aside from revenue:		
Direct revenue contributions	(10.804)	(10.190)
Repayment of PPP/Finance Lease Capital Debt	(1.807)	(2.024)
Loans Fund Principal	(16.188)	(13.927)
Closing Capital Financing Requirement	375.855	374.473
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1.382	25.427
Increase/(decrease) in Capital Financing Requirement	1.382	25.427

Note 20 – Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets included are purchased licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to all of the major software suites used by the Council is 5 years.

The remaining period of amortisation for each software suite is as follows:

	Carrying Amount		Remaining Amortisation Period
	31 March 2014	31 March 2013	
	£m	£m	
Central Management Information Database - Education	-	0.007	None
Central Management Information Database - Social Work	-	0.004	None
Legal Licensing System	0.006	0.011	1 year
Human Resources System	0.008	0.016	1 year
Web Publishing Software	0.002	0.004	1 year
Financial Management System	0.019	0.028	2 years
Planning System	0.003	0.005	2 years
Payroll System	0.010	0.015	2 years
Council Housing System	0.005	0.007	3 years
	0.053	0.097	

Notes to the Financial Statements

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

	2013-2014	2012-2013
	£m	£m
Balance at start of year:		
Gross carrying amounts	0.487	0.479
Accumulated amortisation	(0.390)	(0.343)
Net carrying amount at start of year	0.097	0.136
Additions:		
Purchases	-	0.008
Amortisation for the period	(0.044)	(0.047)
Other changes		
Net carrying amount at end of year	0.053	0.097
Comprising:		
Gross carrying amounts	0.487	0.487
Accumulated amortisation	(0.435)	(0.390)

Note 21 – Heritage Assets

East Ayrshire Council has a number of subject collections which are held in support of the primary objective of increasing knowledge, understanding and appreciation. The aims of the collections fall into two main groups:

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

The collections have been reported on the Balance Sheet at their insurance valuation.

2012-13		2013-14
£m		£m
55.519	Cost or Valuation at 1 April	55.519
-	Revaluations during the year	1.981
55.519	Cost or Valuation at 31 March	57.500
55.519	Opening Net Book Value	55.519
55.519	Closing Net Book Value	57.500

During the period since 1 April 2010, when Heritage Assets were first recognised on the Balance Sheet, there have been no reported transactions involving the purchase, disposal or donation of Heritage Assets. Information on the management of Heritage Assets including details of records maintained is included in the East Ayrshire Arts and Museums Acquisitions, Preservation, Management and Disposals Policy which is available on request from East Ayrshire Council.

Notes to the Financial Statements

Note 22 – Inventories

2012-2013			2013-2014		
Consumable Stores	Maintenance Materials	Total	Consumable Stores	Maintenance Materials	Total
£m	£m	£m	£m	£m	£m
0.447	0.721	1.168	0.639	0.605	1.244
1.596	2.116	3.712	1.411	1.992	3.403
(1.404)	(2.232)	(3.636)	(1.417)	(1.930)	(3.347)
0.639	0.605	1.244	0.633	0.667	1.300

Note 23 – Debtors

31 March 2013		31 March 2014
£m		£m
5.580	Central Government bodies	12.511
4.381	Other Local Authorities	1.746
0.892	NHS bodies	2.799
0.001	Public Corporations and trading funds	0.001
9.401	Other entities and individuals	10.827
20.255	Total	27.884

Note 24 - Assets Held for Sale

2012-2013		2013-2014	
Current Assets		Current Assets	
£m		£m	
2.253	Balance outstanding at start of year	2.253	
-	Assets sold	(0.335)	
2.253	Balance outstanding at year-end	1.918	

Note 25 – Cash and Cash Equivalents

31 March 2013		31 March 2014
£m		£m
0.110	Cash held by the Council	0.109
(3.150)	Bank current accounts	(3.478)
24.302	Short-term deposits	20.463
21.262	Total Cash and Cash Equivalents	17.094

Note 26 – Creditors

31 March 2013		31 March 2014
£m		£m
(4.072)	Central Government bodies	(4.203)
(0.387)	Other Local Authorities	(0.202)
(0.863)	NHS bodies	(0.630)
(0.344)	Public Corporations and trading funds	(0.596)
(40.953)	Other entities and individuals	(49.251)
(46.619)	Total	(54.882)

Notes to the Financial Statements

Note 27 – Provisions

Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay. Further provisions have also been recognised in respect of potential legal settlements relating to a collective grievance raised by the Trade Union in respect of the Homecare Personal Carer workers and a contractual dispute regarding the Property Building Maintenance and Minor Works Term Contract. A further provision has been reviewed and updated at the year end in respect of a legal settlement within the Housing Revenue Account. The information usually required by International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) is not disclosed in respect of these provisions on the grounds that it can be expected to prejudice seriously the outcome of the proceedings.

The Council has a provision of £6.737m in respect of severance costs within departments. Arrangements were agreed by Cabinet and the payments will be made in the coming months. A provision of £0.188m has been made in respect of holidays accrued by teachers while on maternity leave.

A provision of £0.185m has been made in respect of Strathclyde Regional Council (SRC) intromissions for the Council's share of outstanding claims against the former SRC, including asbestos related cases in relation to Mutual Municipal Insurance (MMI). In this regard there is also a potential liability which may require to be met by the constituent authorities within the former SRC area which has been noted as a contingent liability.

An amount of £0.060m remains in respect of changes to the terms and conditions for Craft employees and payments are expected to be made in the next twelve months. A further £0.265m has been set aside for potential costs relating to disclosure arrangements in respect of the Public Sector Network (PSN) and Protecting Vulnerable Groups (PVG).

The Council is required to provide for any short term accumulating compensated absences, primarily holiday entitlement, which employees have earned but not yet taken at 31 March each year. An exercise to determine the financial cost of this entitlement has been carried out and a provision of £7.353m has been made and transferred to the Accumulated Absences Account within Unusable Reserves.

Note 28 – Icelandic Banks

During 2008/09 the Council impaired three financial assets following two UK subsidiaries of Icelandic banks being placed into administration and this was first reflected in the 2008/09 Financial Statements. Funds in excess of the net carrying value of the investments held in the Balance Sheet as at 31 March 2013 were received during 2013/14.

Notes to the Financial Statements

Note 29 – Financial Instruments

Categories of Financial Instruments

31 March 2013			31 March 2014	
Long-term	Current		Long-term	Current
£m	£m		£m	£m
		Investments		
0.027	0.489	Loans and receivables	0.024	4.302
-	2.503	Available-for-sale financial assets	-	3.001
0.027	2.992	Total Investments	0.024	7.303
		Debtors		
-	44.667	Loans and receivables	-	44.978
-	44.667	Total Debtors	-	44.978
		Borrowings		
(255.645)	14.979	Financial liabilities at amortised cost	(269.481)	(15.260)
(255.645)	14.979	Total Borrowings	(269.481)	(15.260)
		Other Long Term Liabilities		
(65.264)	(1.807)	PPP and finance lease liabilities	(63.424)	(1.839)
(65.264)	(1.807)	Total Other Long Term Liabilities	(63.424)	(1.839)
		Creditors		
-	(28.869)	Financial liabilities carried at contract amount	-	(31.729)
-	(28.869)	Total Creditors	-	(31.729)

Income, Expense, Gains and Losses

2012/13		Financial	Financial	Financial	Assets and	2013/14
Total		Liabilities	Assets:	Assets:	Liabilities at	Total
		measured at	Loans and	Available for	Fair Value	
		amortised	receivables	sale	through	
		cost			CIES	
£m		£m	£m	£m	£m	£m
17.505	Interest expense	17.648				17.648
(0.015)	Impairment losses / (gains)	-	-	-	-	-
17.490	Total expense in Surplus or Deficit on the Provision of Services	17.648	-	-	-	17.648
(0.559)	Interest income	-	(0.444)	-	-	(0.444)
(0.035)	Interest income accrued on impaired financial assets	-	(0.023)	-	-	(0.023)
(0.594)	Total income in Surplus or Deficit on the Provision of Services	-	(0.467)	-	-	(0.467)
(0.001)	Gains on revaluation	-	-	-	-	-
(0.001)	Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	-	-	-
16.895	Net (gain)/loss for the year	17.648	(0.467)	-	-	17.181

Notes to the Financial Statements

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2014 of 0.52% to 3.41% for loans from the Public Works Loans Board (PWLB) and 4.09% to 4.37% for other loans receivable and payable, based on new lending rates for equivalent loans at that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2013			31 March 2014	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
(320.909)	(420.916)	Financial liabilities	(332.905)	(392.606)
(320.909)	(420.916)		(332.905)	(392.606)

31 March 2013			31 March 2014	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
0.026	0.026	Loans and receivables	0.024	0.024
0.026	0.026		0.024	0.024

The fair value of financial liabilities is greater than the carrying value amount because the Council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above market rate increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Note 30 – Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks. Credit Risk : the possibility that other parties might fail to pay amounts due to the Council. Liquidity Risk : the possibility that the Council may have insufficient funds available to meet its commitments to make payments. Market Risk : the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. The 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. Professional advice on strategic and operational aspects of Treasury Management is provided by Capita Asset Services.

Notes to the Financial Statements

Loans and Receivables

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A limit is placed on the amount of money that can be invested with a single counterparty.

The Council also sets a total group investment limit for institutions that are part of the same banking group. It must also be noted that, although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management and Investment Strategy 2013/14 - 2014/15 approved by Cabinet on 27 March 2013.

These counterparties were selected after analysis and careful monitoring of Credit Ratings, Credit Default Swaps, Gross Domestic Product (GDP); Net Debt as a percentage of GDP, Sovereign Support Mechanisms / potential support from a well-resourced parent institution and Share Price.

Throughout 2013/14 the minimum criteria for new investments has been a long term rating of A-/A3/A- (Fitch/Moody's/S&P). The following table summarises the nominal value of the Council's investment portfolio at 31 March 2014 and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	Credit Rating Criteria met when investment placed	Credit Rating Criteria met on 31 March 2014	Balance Invested at 31 March 2014					Total £m
			Up to 1 Month £m	Between 1 and 3 £m	Between 3 and 6 £m	Between 6 and 9 £m	Between 9 and 12 £m	
			YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	
UK Banks	YES	YES	7.098	-	2.800	-	-	9.898
UK Building Societies	YES	YES	2.501	-	-	-	-	2.501
Local Authorities	YES	YES	1.000	-	-	-	-	1.000
Debt Management Office	YES	YES	8.215	-	-	-	-	8.215
Money Market Funds	YES	YES	4.151	2.001	-	-	-	6.152
Total			22.965	2.001	2.800	-	-	27.766

Trade Receivables

The Council's potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor at 31 March 2014 of £8.616m with a bad debt provision of £3.614m. The Trade Debtors amount above does not include debtors related to Council Tax, Community Charge, Non-Domestic Rates and Council House Rents as these are not considered to be finance assets. The Gross Debtor amount can be analysed by age as follows:

31 March 2013		31 March 2014	
£m		£m	
3.497	Less than three months	4.399	
0.359	Between three and six months	0.339	
0.540	Between six months and one year	0.672	
2.871	More than one year	3.206	
7.267		8.616	

Notes to the Financial Statements

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to Councils. The Council is also required to provide a balanced budget 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 trade and other payables are due to be paid in less than one year. The maturity analysis of financial liabilities is as follows:

31 March 2013		31 March 2014
£m		£m
46.170	Less than one year	63.814
8.004	Between one and two years	8.230
28.962	Between two and five years	28.576
283.944	More than five years	282.265
367.080		382.885

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. 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. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. At 31 March 2014 none of the Council's borrowings were held at variable rates of interest. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect is shown below. The impact of a 1% fall in interest rates would be the same but with the movements being reversed.

Notes to the Financial Statements

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	0.262
Impact on Surplus or Deficit on the Provision of Services	0.262
Share of overall impact debited to the HRA	0.010
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	37.363

Note 31 – Related Parties

Related parties are organisations that the Council can control or influence or who can control or influence the Council. Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from government departments are set out in Note 12 on page 36.

Members

Members of the Council have direct control over the Council's financial and operating policies. Details of senior members remuneration and members allowances paid in year are included in the Remuneration Report. Under the Council's Code of Conduct Members are required to declare an interest in matters that directly or indirectly may influence, or be thought to influence, their actions as a councillor. Membership of statutory joint boards or committees, which are composed exclusively of elected members, does not raise an issue of declaration of interest in regard to Council business.

Interests of any other relevant parties, those members with declarations or interest did not take part in any discussion or decisions relating to transactions with these parties. A copy of the Register of Members Interest can be obtained from www.east-ayrshire.gov.uk. There were no related party transactions in the year.

Officers

All Chief Officers are required to complete and sign a Related Party declaration for the year to 31 March 2014. These have been reviewed and based on the completed returns there were no such transactions in the year.

Entities Controlled or Significantly Influenced by the Council

East Ayrshire Leisure Trust is deemed to be a related party of the Council mainly through the Council's ability to exert influence over the entity through its representation on the respective Board, the relevant transactions and balances with the body are:

Entity	During 2013/14		As at 31 March 2014	
	Charges to £m	Charges from £m	Due from £m	Due to £m
East Ayrshire Leisure Trust	1.282	5.998	0.235	0.057

Notes to the Financial Statements

Note 32 –Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the single entity or Group Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow or outflow of economic benefits or service potential.

Whilst the Council has made appropriate provision for the settlement of all known claims in respect of Equal Pay and the implementation of the Single Status Agreement, the Council recognises the potential for compensation claims in respect of cases not yet settled or presented. The Council is a constituent member of the West of Scotland Loans Fund Ltd, which exists to co-ordinate the 12 former Strathclyde Regional Council authorities in respect of the relationship with the European Regional Development Fund. As at 31 March 2014 the Council's involvement stands at £2.168m and in the event of the Fund being wound up, a contingent liability of £0.586m exists in respect of European Development Fund Grants. The Council does not have an interest in the share capital of any of the companies dealt with by the West of Scotland Loans Fund Ltd.

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

The most recent financial report from Municipal Mutual Insurance indicates that, following the ruling by the Supreme Court in litigation known as The Employers' Liability Insurance Trigger Litigation, there may not be a solvent run-off of mesothelioma (asbestos) claims. The actual cost and timing of any Council contribution cannot be estimated with reasonable accuracy and consequently no provision has been made in the Financial Statements in respect of these payments.

Detailed reports have been presented to Cabinet during 2013/14 in respect of emerging issues relative to the various opencast coal sites in East Ayrshire following the liquidation of two former mining companies. There is no absolute legal duty on the Council which would oblige it to 'step in' and either (a) carry out full restoration of these sites as per the original restoration schemes approved under the planning consent for each site or (b) to address any specific hazards on these sites which might constitute statutory nuisance.

The Council recognises a contingent liability in respect of potential liabilities which may exist in relation to specific non contractual payroll emoluments that may require to be paid during holiday periods.

Note 33 – Events after the Balance Sheet Date

The unaudited Financial Statements were approved by a meeting of the Council on 26 June 2014. The Executive Director of Finance and Corporate Support, being the responsible officer for the Council's affairs, signed the unaudited Financial Statements on 26 June 2014. Events taking place after this date are not reflected in the Financial Statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information. The audited Financial Statements were authorised for issue on 11 September 2014.

Notes to the Financial Statements

Note 34 – Unusable Reserves

Unusable Reserves are those that the Council is not able to utilise to provide services. The balances held at 31 March 2014 are shown in the following table:

2012/13 Total Unusable Reserves £m		Unusable Reserves					Accumulated Absences Account £m	2013/14 Total Unusable Reserves £m
		Revaluation Reserve £m	Available for Sale Financial Instrument £m	Capital Adjustment Account £m	Pensions Reserve £m	Financial Instruments Adjustment Account £m		
	Balance at 31 March 2012	370.070	-	252.311	(121.072)	(14.800)	(6.614)	479.895
	Increase / (Decrease) in 2012/13	(20.635)	0.001	(7.171)	(35.222)	0.317	0.481	(62.229)
479.895	Balance at 31 March 2013	349.435	0.001	245.140	(156.294)	(14.483)	(6.133)	417.666
	Surplus / (Deficit) on the Provision of Services	-	-	-	-	-	-	-
(36.825)	Other Comprehensive Income and Expenditure	40.668	(0.001)	-	(17.749)	-	-	22.918
	Adjustments between accounting basis and funding basis under Regulation							
(46.036)	Depreciation of Non Current Assets	(15.078)	-	(23.534)	-	-	-	(38.612)
(14.905)	Impairment of Non Current Assets	-	-	(10.318)	-	-	-	(10.318)
(0.047)	Amortisation of Intangible Assets	-	-	(0.044)	-	-	-	(0.044)
8.254	Capital Grants and Contributions Applied	-	-	7.387	-	-	-	7.387
0.084	Capital Grants and Contributions Unapplied	-	-	-	-	-	-	-
0.317	Differences relating to Financial Instruments required by statute	-	-	-	-	0.349	-	0.349
0.481	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(1.220)	(1.220)
(2.514)	Net Gain / Loss on Disposal of Fixed Assets	-	-	(4.380)	-	-	-	(4.380)
(17.262)	Net Charges for Retirement Benefits	-	-	-	(25.591)	-	-	(25.591)
17.049	Contributions to Pensions Fund	-	-	-	16.930	-	-	16.930
15.951	Repayment of Debt	-	-	17.995	-	-	-	17.995
3.034	Use of Capital Fund to Finance New Capital Expenditure	-	-	3.720	-	-	-	3.720
10.190	Capital Expenditure Funded in Year	-	-	10.804	-	-	-	10.804
(62.229)	Increase / (Decrease) in 2013/14	25.590	(0.001)	1.630	(26.410)	0.349	(1.220)	(0.062)
417.666	Balance at 31 March 2014	375.025	-	246.770	(182.704)	(14.134)	(7.353)	417.604

Notes to the Financial Statements

Note 35 – Summarised Financial Information of Group Entities

The Council has an interest in a Common Good Fund, East Ayrshire Leisure Trust and several Joint Boards. The accounting period for these entities is 31 March 2014. Full details are disclosed below.

The Common Good Fund has been consolidated in to the Group Statements as a 100% fully controlled subsidiary of the Council. Full details of the Common Good Fund are included on pages 70 to 71. East Ayrshire Leisure Trust is treated as an Associate within the Group Statements and the Joint Boards that have been consolidated as Associates are:

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

The Councils share of its associates is as follows:

<i>Summarised Financial Information of Associates</i>					
	<i>Strathclyde Partnership for Transport</i>	<i>Strathclyde Concessionary Travel Scheme Joint</i>	<i>Ayrshire Valuation Joint Board</i>	<i>East Ayrshire Leisure Trust</i>	<i>Total Associates</i>
	£m	£m	£m	£m	£m
Surplus/(Deficit) on Operating Activities	0.012	0.012	(0.033)	0.097	0.088
Non Current Assets	7.762	-	0.161	-	7.923
Current Assets	4.645	0.145	0.098	1.010	5.898
Non Current Liabilities	(2.733)	-	(0.188)	-	(2.921)
Current Liabilities	(1.446)	(0.052)	(0.043)	(0.917)	(2.458)

Strathclyde Partnership for Transport

Strathclyde Partnership for Transport (SPT) was formed by bringing together Strathclyde Passenger Transport Authority and Executive and the West of Scotland Transport Partnership Joint Committee (WESTRANS) voluntary partnership. The new SPT was established by the Transport (Scotland) Act 2005 and the Partnership Board comprises of 29 members representing the 12 constituent unitary authorities in the West of Scotland plus other interested parties. Of the 29 members, twenty are nominated from Councils and between seven and nine are public appointments. East Ayrshire Council has one elected member on the Board and the Council's share of the net assets / liabilities of the Partnership has been based on the precept requisition of 5.22%.

A copy of the Financial Statements for SPT can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Committee

The Committee comprises the 12 Councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the 12 Councils. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.69%.

Notes to the Financial Statements

A copy of the Financial Statements for SCTS can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Ayrshire Valuation Joint Board

The Ayrshire Valuation Joint Board is an independent public body formed in 1996 at local government reorganisation by Act of Parliament. The Council has no shares in, nor ownership of, the Board. The Board's running costs are met by the three Councils of East, North, and South Ayrshire. Surpluses or deficits on the Board's operation are shared between the three member Councils. The Board maintains the electoral, council tax and non-domestic rates registers for the three Councils of East, North and South Ayrshire. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30.33%.

A copy of the Financial Statements for the Joint Board can be obtained from the Treasurer to the Ayrshire Valuation Joint Board, South Ayrshire Council, County Buildings, Wellington Square, Ayr KA7 1DR.

East Ayrshire Leisure Trust

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

A copy of the Financial Statements for the Leisure Trust can be obtained from the Chief Executive, East Ayrshire Leisure, Dick Institute, Elmbank Avenue, Kilmarnock, KA1 3BU.

Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Financial Statements are contained in Note 1. The accounting policies of the Council and Associates noted above are fully aligned with the exception of the period over which fixed assets are depreciated.

Housing Revenue Account (HRA) Income and Expenditure Statement

2012-13 £m		2013-14 £m
	<i>Income</i>	
(37.400)	Dwelling Rents	(39.115)
(0.335)	Non Dwelling Rents	(0.348)
(0.494)	Hostel Deficit Grant	(0.224)
(0.971)	Any Other Income	(0.662)
(39.200)	Total Income	(40.349)
	<i>Expenditure</i>	
12.333	Repairs and Maintenance	12.500
8.615	Supervision and Management	7.595
25.868	Depreciation and Impairment of Non Current Assets	22.341
0.628	Bad and Doubtful Debt Provision	0.877
1.181	Any Other Expenditure	1.238
48.625	Total Expenditure	44.551
9.425	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	4.202
0.935	HRA Share of Corporate and Democratic Core	0.787
0.022	HRA Share of Non Distributed Costs	0.033
10.382	Net Cost of HRA Services	5.022
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
0.375	(Gain) or Losses on disposals of assets	2.323
0.375	Expenditure	2.323
0.375	HRA Share of Other Operating Expenditure	2.323
	<i>Investment</i>	
(2.840)	Expected Return on Pension Assets	(2.506)
(2.840)	Income	(2.506)
(2.840)	HRA Share of Investment Income	(2.506)
	<i>Financing</i>	
0.076	Interest and Investment Income	(0.055)
0.076	Income	(0.055)
2.855	Pension Interest Cost	3.226
3.440	Interest Payable and similar charges	3.569
6.295	Expenditure	6.795
6.219	HRA Share of Net Finance Expenditure	6.740
14.136	(Surplus) / Deficit on the HRA	11.579

Movement on the Housing Revenue Account and Notes to the Account

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

2012-13 £m		2013-14 £m
(2.325)	Balance on the HRA brought forward	(3.283)
14.136	(Surplus) or Deficit on the HRA	11.579
(14.214)	Adjustments between accounting basis and funding basis under statute	(13.757)
(0.078)	Net (Increase) or Decrease before transfers to / from Reserves	(2.178)
(0.880)	Transfers to / from Reserves	(0.880)
(0.958)	(Increase) / Decrease on the HRA Balance for the Year	(3.059)
(3.283)	Balance on the HRA carried forward	(6.342)

Note 36 - Notes to the Housing Revenue Account

Housing Stock

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

2012-2013		2013-2014		
Total		Flats	Houses	Total
2,535	One Bedroom	1,662	834	2,496
6,446	Two Bedroom	3,343	3,078	6,421
3,631	Three Bedroom	597	2,987	3,584
263	Four Bedroom	16	246	262
2	Five Bedroom	2	-	2
12,877	Total	5,620	7,145	12,765

Rental Information and Loss on Void Properties

The amount of rent arrears and the provision considered necessary in respect of uncollectable debts is shown in the following table:

2012-2013		2013-2014
£57.13	Average Weekly Rent (52 weeks)	£59.89
4.70%	Current Rent Arrears (as % of Rent Collectable)	5.70%
£1.041m	Total Rent Arrears	£1.551m
£0.618m	Provision for Bad Debt	£1.143m

The Council is required to disclose the loss on void properties and in 2013/14 this amounted to £1.363m. The comparator figure for 2012/13 was £1.258m.

Council Tax Income Account

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.

2012-13 £m		2013-14 £m
57.742	Gross Council Tax levied and contributions in lieu	58.174
	Deduct:	
0.082	Council Tax benefits (net of Government Grant)	-
-	Council Tax Reduction	(9.955)
(6.924)	Other discounts and reductions	(7.021)
(1.541)	Provision for bad and doubtful debts	(1.562)
(0.635)	Adjustments to previous years Council Tax and Community Charge	0.174
48.724	Net Council Tax Income Transferred to General Fund	39.810

Occupiers of domestic properties are liable to pay Council Tax. This is a tax levied by local authorities on domestic properties within their area.

Dwellings fall within a valuation band 'A' to 'H' which is determined by the Assessor, employed by Ayrshire Valuation Joint Board (AVJB). In setting its budget the Council determines the Council Tax level each year. Charges for other bands are proportionate to the Band 'D' figure. The Band 'D' Council Tax for 2013/14 was £1,188.99.

Properties can be exempt if they are unoccupied or occupied by certain categories of occupant. A reduction may be applied if a resident is disabled and the property adapted. A discount of 25% is available for properties occupied by one liable person aged 18 years and over. The discount is 50% where the property is not the sole or main residence of any person.

BAND	2013-2014 £ per year
A	792.66
B	924.77
C	1,056.88
D	1,188.99
E	1,453.21
F	1,717.43
G	1,981.65
H	2,377.98

Note 37 – Calculation of the Council Tax base

2012/13											2013/14
Total	Bands	A(d)	A	B	C	D	E	F	G	H	Total
56,614	Properties		26,448	9,382	4,963	6,352	5,976	2,854	901	43	56,919
(1,318)	Exemptions		(875)	(184)	(105)	(86)	(81)	(37)	(6)	(4)	(1,378)
-	- Disabled Reliefs	112	(27)	(42)	7	36	(59)	(16)	(11)	0	-
(21,502)	Discounts (25%)	(43)	(13,173)	(3,530)	(1,687)	(1,631)	(1,132)	(356)	(83)	(5)	(21,640)
(830)	Discounts (50%)		(436)	(121)	(92)	(81)	(62)	(31)	(9)	(2)	(834)
49,507	Total equivalent	101	22,035	8,213	4,397	5,854	5,522	2,697	859	37	49,715
	Ratio										
42,785	Band 'D' equivalent	56	14,690	6,388	3,908	5,854	6,749	3,896	1,431	74	43,046
(2,314)	Bad debt provision										(1,563)
40,471											41,483

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.

2012-2013		2013-2014
£m		£m
38.159	Gross rates levied and contributions in lieu	38.690
	Deduct:	
(8.446)	Reliefs and reductions	(9.696)
(0.889)	Provision for bad and doubtful debts	(0.866)
28.824	Net Non-Domestic Rate Income	28.128
(0.180)	Prior year pool	(2.918)
(2.115)	Contributions (to)/from National Non-Domestic Rate Pool	3.336
26.529	Income credited to the Comprehensive Income and Expenditure Statement	28.546

Note 38 – Analysis of Rateable Values

	Number	£m
Shops	1,072	24.434
Industrial & Freight Transport Subjects	926	13.926
Offices (including Banks)	497	6.841
Other	257	0.754
Public Service Subjects	220	5.526
Leisure, Entertainment, Caravans and Holiday Sites	176	3.717
Garages and Petrol Stations	144	1.279
Public Houses	104	2.118
Religious	93	0.810
Education and Training	74	8.688
Health Medical	74	4.201
Care Facilities	52	2.404
Hotels, Boarding Houses, etc.	32	1.021
Advertising	31	0.077
Cultural	25	0.335
Undertaking	18	2.005
Quarries, Mines, etc.	11	4.376
Sporting Subjects	8	0.144
Communications (Non-Formula)	2	0.000
Petrochemical	2	0.183
	3,818	82.839

Note 39 – Nature and Amount of Each Rate Fixed

The amount paid for Non-Domestic Rates is determined by the rateable value placed on the property by the Assessor multiplied by the Rate per £ announced each year by the Scottish Government. The National Non-Domestic Rate poundage set by the Scottish Government for 2013/14 was 46.2p, with a large business supplement of 0.9p.

Remuneration Report

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

For 2013/14 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £32,795. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them.

The Regulations also set out the remuneration that may be paid to Senior Councillors, other than the Leader of the Council and the Provost, and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors, excluding remuneration to the Leader of the Council and the Provost, shall not exceed £0.285m. Subject to a maximum number of 14 Senior Councillors, the Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2013/14 East Ayrshire Council appointed 12 Senior Councillors and the remuneration paid to these councillors, excluding remuneration to the Leader of the Council and the Provost totalled £0.285m. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £0.341m. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The Council Members' Salaries and Expenses Scheme which encompasses the salaries of all elected members including the Leader, Civic Head and Senior Councillors was agreed at a meeting of the full Council on 17 May 2007.

Remuneration of Councillors

2012-13		2013-14
£m		£m
0.632	Salaries	0.633
0.039	Expenses	0.032
0.671	Total	0.665

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

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

The annual return of Members Expenses is available at www.east-ayrshire.gov.uk.

Remuneration Report

The following table excludes pension contributions paid by the Council. These are disclosed as part of the pension benefits disclosure on page 69.

Total Remuneration 2012-2013			Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits in kind	Total Remuneration 2013-2014
£			£	£	£	£
23,982	A Brown	Senior Councillor	23,900	-	-	23,900
23,982	J Buchanan	Senior Councillor	23,900	-	-	23,900
20,363	J Campbell	Depute Provost	20,293	-	-	20,293
23,221	W Menzies	Chair of Governance and Scrutiny Committee	24,352	482	-	24,834
24,436	T Cook	Depute Leader of the Council	24,352	-	-	24,352
20,967	E MacColl	Senior Councillor	23,900	-	-	23,900
23,982	R McDill	Senior Councillor	23,900	399	-	24,299
23,982	M McKay	Leader of the Opposition	23,900	492	-	24,392
23,982	K Morrice	Senior Councillor	23,900	-	-	23,900
32,582	D Reid	Leader of the Council	32,470	205	-	32,675
20,967	S Primrose	Senior Councillor	23,900	262	-	24,162
23,982	J Roberts	Senior Councillor	23,900	577	-	24,477
24,369	J Todd	Provost	24,353	-	-	24,353
2,272	J McFadzean	Vice-Convenor Ayrshire Valuation Joint Board	3,045	-	-	3,045
24,052	I Linton	Senior Councillor	23,900	-	-	23,900
337,121			343,965	2,417	-	346,382

Remuneration of Senior Employees of the Council

The remuneration of senior employees is also set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of East Ayrshire Council for the period 2008 to 2011. The salaries of the Executive Directors and Heads of Service were set in 2003 following an external review.

These arrangements were agreed by the Council's Corporate Governance Committee on 23 September 2003. East Ayrshire Council does not pay bonuses or performance related pay. Chief Officers are entitled to be reimbursed for business travel and other business related costs in accordance with amounts agreed nationally by the Scottish Joint Negotiating Committee for Local Authorities Services or as approved locally by the Council. Chief Officers are eligible to join the Local Government Pension Scheme.

Remuneration Report

In the following report, East Ayrshire Council discloses the remuneration for all Chief Officers. This is in excess of the statutory disclosure requirements.

Total Remuneration 2012-2013	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits in kind	Total Remuneration 2013-2014
£			£	£	£	£
122,365	F. Lees	Chief Executive (Note 1)	121,680	-	-	121,680
109,827	G. Short	Executive Director of Educational and Social Services	110,903	-	-	110,903
101,717	E. Morton	Depute Chief Executive and Executive Director of Neighbourhood Services (Note 1)	102,208	-	-	102,208
101,717	A. McPhee	Executive Director of Finance and Corporate Support (Note 1)	102,208	-	-	102,208
84,545	D. Mitchell	Solicitor to the Council and Head of Legal, Procurement and Regulatory Services (Note 1)	84,869	-	-	84,869
77,166	M. Rose	Head of Human Resources	77,922	-	-	77,922
77,166	M. Roulston	Head of Corporate Infrastructure	77,922	-	-	77,922
71,934	W. Walkinshaw	Head of Democratic Services	71,934	-	-	71,934
77,441	C. McArthur	Head of Finance (Note 1)	77,922	-	-	77,922
77,166	J. Griffiths	Head of Leisure Services (Note 2)	29,679	-	-	29,679
77,166	C. McAleavey	Head of Housing and Environment Services and then Acting Executive Director, Neighbourhood Services (Note 3)	97,261	-	-	97,261
-	G. Darroch	Acting Head of Housing and Environment Services (Note 3)	62,485	-	-	62,485
73,731	J. Bryson	Head of Roads and Transportation (Note 4)	7,719	-	-	7,719
-	K. Aitken	Acting Head of Roads and Transportation (Note 4)	73,982	-	-	73,982
77,166	A. Neish	Head of Planning and Economic Development	77,922	8	-	77,930
77,501	A. Ward	Acting Head of Schools	77,166	209	-	77,375
77,217	K. Gilmour	Head of Community Support	77,922	-	-	77,922
73,731	E. Couperwhite	Head of Resources (Note 5)	145,486	-	-	145,486
73,731	R. Gourlay	Head of Facilities Management	74,455	-	-	74,455
73,731	A. Kennedy	Acting Head of Facilities Management	74,755	-	-	74,755

Remuneration Report

Total Remuneration 2012-2013	Name	Designation	Salary, Fees and Allowances	Taxable Expenses	Non-cash expenses & benefits in kind	Total Remuneration 2013-2014
77,166	S. Taylor	Head of Children and Families	77,922	-	-	77,922
81,024	E. Fraser	Head of Community Care and Chief Social Work Officer (Note 6)	77,097	-	-	77,097
-	E. Fraser	Director of Health & Social Care, East Ayrshire Partnership (Note 6)	5,898	-	-	5,898
-	H. McGee	Acting Head of Community Care (Note 6)	4,496	-	-	4,496
53,572	E. Mackay	Chief Auditor	55,831	-	-	55,831
1,716,780			1,847,644	217	-	1,847,861

Note 1 - The 2012/13 Remuneration for the Chief Executive, Depute Chief Executive / Executive Director of Neighbourhood Services, the Executive Director of Finance and Corporate Support, the Solicitor to the Council / Head of Legal, Procurement and Regulatory Services, and the Head of Finance includes fees paid in respect of the 3 May 2012 Local Government Election. The fees received were £685, £500, £500, £500, and £275 respectively.

Note 2 - The Head of Leisure Services was appointed Chief Executive of East Ayrshire Leisure Trust with effect from 1 July 2013.

Note 3 - From 6 June 2013, the Head of Housing undertook the role of Acting Executive Director Neighbourhood Services. The Acting Head of Housing and Environmental Services, took up post on the same day.

Note 4 - The former Head of Roads and Transportation retired from his post on 30 April 2013. The Acting Head of Roads and Transportation took up post on the 1 April 2013.

Note 5 - The Head of Resources left his post on 31 March 2014. The total payment includes severance costs of £0.069m paid in year.

Note 6 - The Head of Community Care and Chief Social Work Officer left his post on 2 March 2014 to undertake the role of Director of Health and Social Care, East Ayrshire Partnership with effect from the 3 March 2014. The Acting Head of Community Care was in post from 3 March 2014.

Remuneration of Employees Receiving more than £50,000

The Council is required to disclose information on the number of employees whose remuneration was £50,000 or more in 2013/14. In accordance with the disclosure requirement of the Regulations, the information in the table which follows shows the number of employees in bands of £5,000 and includes the senior employees who are subject to the full disclosure requirements.

2012-2013 Total	Remuneration band	Number of Employees			
		2013-2014 Officers	2013-2014 Teachers	2013-2014 Total	Left During Year
53	£50,000 – £54,999	20	40	60	7
20	£55,000 – £59,999	19	6	25	4
3	£60,000 – £64,999	4	2	6	4
4	£65,000 – £69,999	1	3	4	1
9	£70,000 – £74,999	5	3	8	-
10	£75,000 – £79,999	9	2	11	3
2	£80,000 – £84,999	3	-	3	2
-	£85,000 – £89,999	1	-	1	-
-	£90,000 – £94,999	2	-	2	2
-	£95,000 – £99,999	1	-	1	-
2	£100,000 – £104,999	2	-	2	-
1	£105,000 – £110,999	-	-	-	-
-	£110,000 – £114,999	1	-	1	-
-	£115,000 – £119,999	-	-	-	-
1	£120,000 – £124,999	1	-	1	-
-	£145,000 – £149,999	1	-	1	1
105		70	56	126	24

Remuneration Report

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). This is a contributory scheme with employee contributions of between 5.5% and 12.0% dependent on salary.

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 adjusted for 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 revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of and made contributions to the scheme. The scheme's normal retirement age for both councillors and employees is 65.

Contribution rates from scheme members are based on earnings and are deducted from their salaries. The scheme members' contribution rates for 2013/14 ranges from 5.5% to 12.0% (2012/13: 5.5% to 12.0%). For part-time staff the contribution rate is worked out on the full-time pay rate for the job, with actual contributions paid on actual pay earned. Full details on contribution rates can be found at www.spfo.gov.uk.

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

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

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

Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2014 and the contributions made by the Council to each Senior Councillors pension as defined by the Local Government Pension Scheme are shown in the following table.

Remuneration Report

Name and Position Held	In-year Pension Contributions			Accrued Pension Benefits	
	For year to	For year to		As at	Difference from
	31 March 2014	31 March 2013		31 March 2014	31 March 2013
	£	£		£000	£000
A Brown	4,613	4,629	Pension	3	1
Senior Councillor			Lump Sum	2	-
J Buchanan	4,613	4,629	Pension	7	-
Senior Councillor (See note 1)			Lump Sum	15	-
J Campbell	3,917	3,930	Pension	2	-
Depute Provost			Lump Sum	2	-
W Menzies	4,700	4,482	Pension	2	-
Chair of Governance and Scrutiny			Lump Sum	1	-
T Cook	4,700	4,696	Pension	3	1
Depute Leader of the Council			Lump Sum	2	-
E MacColl	4,613	4,046	Pension	1	1
Senior Councillor			Lump Sum	-	-
R McDill	4,613	4,629	Pension	3	1
Senior Councillor			Lump Sum	2	-
K Morrice	4,613	4,629	Pension	3	-
Senior Councillor			Lump Sum	2	-
D Reid	6,267	6,288	Pension	4	1
Leader of the Council			Lump Sum	3	-
S Primrose	4,613	4,047	Pension	1	1
Senior Councillor			Lump Sum	-	-
J Todd	4,700	4,703	Pension	3	1
Provost			Lump Sum	2	-
I Linton	4,613	4,642	Pension	3	1
Senior Councillor			Lump Sum	2	-
Total	56,575	55,350			

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

Note 2 - Councillor M McKay and Councillor J Roberts are not members of the Strathclyde Pension Fund.

Senior Employees

The pension entitlements for Senior Employees for the year to 31 March 2014 and the contributions made by the Council as defined by the Local Government Pension Scheme, are shown in the following table. The pension benefits relate to the benefits that the person has accrued in respect of their total local government service and not just their current appointment. Contribution levels for employees and employers are set by Strathclyde Pension Fund.

Remuneration Report

Name and Post Title	In-year Pension Contributions			Accrued Pension Benefits	
	For year to	For year to		As at	Difference from
	31 March 2014	31 March 2013		31 March 2014	31 March 2013
	£	£		£000	£000
F Lees Chief Executive	23,484	23,616	Pension	57	2
			Lump Sum	140	-
G Short Executive Director of Educational and Social Services	21,404	21,197	Pension	50	2
			Lump Sum	123	1
E Morton Depute Chief Executive and Executive Director of Neighbourhood Services	19,726	19,535	Pension	53	2
			Lump Sum	132	1
A McPhee Executive Director of Finance and Corporate Support	19,726	19,535	Pension	46	2
			Lump Sum	114	1
D Mitchell Solicitor to the Council/Head of Legal, Procurement and Regulatory Services	16,380	16,221	Pension	28	2
			Lump Sum	62	-
M Rose Head of Human Resources	15,039	14,893	Pension	40	2
			Lump Sum	100	1
M Roulston Head of Corporate Infrastructure	15,039	14,893	Pension	22	4
			Lump Sum	41	3
W Walkinshaw Head of Democratic Services	13,883	13,883	Pension	33	1
			Lump Sum	82	-
C McArthur Head of Finance	15,039	14,893	Pension	24	2
			Lump Sum	51	-
J Griffiths Head of Leisure Services	5,728	14,893	Pension	22	1
			Lump Sum	46	-
C McAleavey Head of Housing and Environment Services, and then Acting Executive Director of Neighbourhood Services	18,771	14,893	Pension	48	11
			Lump Sum	121	25
G Darroch Acting Head of Housing and Environment Services from 6/6/13	12,059	n/a	Pension	30	n/a
			Lump Sum	71	n/a

Remuneration Report

Name and Post Title	In-year Pension Contributions			Accrued Pension Benefits	
	For year to	For year to		As at	Difference from
	31 March 2014	31 March 2013		31 March 2014	31 March 2013
	£	£		£000	£000
J Bryson	1,490	14,230	Pension	n/a	n/a
Head of Roads (until 30/4/13)			Lump Sum	n/a	n/a
K Aitken	14,278	n/a	Pension	22	n/a
Acting Head of Roads and Transportation (from 1/4/13)			Lump Sum	47	n/a
A Neish	15,039	14,893	Pension	36	2
Head of Planning and Economic Development			Lump Sum	88	1
A Ward	11,480	11,484	Pension	Refer to Note 1	
Acting Head of Schools			Lump Sum		
K Gilmour	15,038	14,893	Pension	34	2
Head of Community Support			Lump Sum	83	1
E Couperwhite	14,701	14,230	Pension	19	2
Head of Resources (until 31/3/14)			Lump Sum	37	1
R Gourlay	14,370	14,230	Pension	35	1
Head of Facilities Management			Lump Sum	87	1
A Kennedy	14,370	14,230	Pension	18	1
Acting Head of Facilities Management			Lump Sum	35	-
S Taylor	15,039	14,893	Pension	29	1
Head of Children and Families / Criminal Justice			Lump Sum	69	1
E Fraser	16,018	15,638	Pension	29	2
See Note 2			Lump Sum	66	1
H McGee	-	n/a	Pension	-	n/a
Head of Community Care (from 3/3/14)			Lump Sum	-	n/a
E Mackay	10,775	10,340	Pension	19	2
Chief Auditor			Lump Sum	42	2
Total	338,876	327,513			

Note 1 - Acting Head of Schools is a member of the Teachers Pension Scheme administered by the Scottish Public Pensions Agency (SPPA). Requests have previously been made to the SPPA to furnish the postholder and the Council with details of the pension and lump sum details required as part of this disclosure. Unfortunately the information was not provided. Note 2 - Postholder of the Head of Community Care and the Chief Social Work Officer until 2 March 2014 and was then appointed as the Director of the East Ayrshire Health and Social Care Partnership.

Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. Exit package values include redundancy, pension strain, and compensatory lump sum for all retirees. The values also include the notional capitalised cost of compensatory added years ("added years"). These are based on an assessment by the pensions provider of the present value of all future payments to the retiree until death. The number of exit packages with total cost per band and cost of the compulsory and other redundancies are set out in the table. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. £7.860m for severance costs was funded in 2013/14 approved either by Cabinet or under the Head of Human Resources' delegated authority.

Remuneration Report

2012/2013					2013/2014					
No	Compulsory Redundancies		Other Departures		Exit Packages Bands	No	Compulsory Redundancies		Other Departures	
	Cash Value	Notional CAY Value	Cash Value	Notional CAY Value			Cash Value	Notional CAY Value	Cash Value	Notional CAY Value
	£	£	£	£		£	£	£	£	
20	-	-	204,587	1,990	£0 – £20,000	86	-	-	1,077,508	20,195
28	-	-	301,385	473,267	£20,001 – £40,000	93	16,249	-	2,271,430	451,656
13	-	-	341,743	258,521	£40,001 – £60,000	46	-	-	2,035,952	198,940
6	-	-	186,985	202,673	£60,001 – £80,000	17	69,313	-	845,721	217,245
3	-	-	55,170	213,959	£80,001 – £100,000	8	-	-	545,979	168,616
4	-	-	224,545	260,608	£100,001 – £150,000	8	-	-	642,092	318,643
-	-	-	-	-	£150,001 – £200,000	4	-	-	356,592	270,877
74	-	-	1,314,415	1,411,018		262	85,562	-	7,775,274	1,646,172

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

Fiona Lees

Chief Executive

16 September 2014

Councillor Douglas Reid

Leader of the Council

16 September 2014

Common Good Account

The earliest legislation which reflects the existence of the Common Good can be traced back to The Common Good Act 1491. The term Common Good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these Funds but they are not Council assets and have not been included in the Council's Balance Sheet.

Movement in Reserves Statement for the Year ended 31 March 2014

2012-13			2013-14		
Usable Reserve: Capital and Revenue	Unusable Reserves : Revaluation Reserve	Total Reserves	Usable Reserve: Capital and Revenue	Unusable Reserves : Revaluation Reserve	Total Reserves
£m	£m	£m	£m	£m	£m
0.206	6.959	7.165	0.207	6.843	7.050
(0.155)	-	(0.155)	(0.147)	-	(0.147)
-	0.040	0.040	-	(0.125)	(0.125)
0.156	(0.156)	-	0.149	(0.149)	-
0.207	6.843	7.050	0.209	6.569	6.778

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2014

2012-2013			2013-2014		
Expenditure	Income	Net	Expenditure	Income	Net
£m	£m	£m	£m	£m	£m
0.156	-	0.156	0.149	-	0.149
-	(0.001)	(0.001)	-	(0.002)	(0.002)
0.155 (Surplus) or Deficit					0.147
(0.040) (Surplus) or deficit on revaluation of fixed assets					0.125
0.115 Total Comprehensive (Income) / Expenditure					0.272

Balance Sheet at 31 March 2014

2012-2013		2013-2014	
£m		£m	
6.843	Property Plant and Equipment	6.569	
6.843	Non Current Assets	6.569	
0.207	Short Term Investments - Loans Fund	0.209	
0.207	Current Assets	0.209	
7.050	Net Assets	6.778	
0.207	Usable Reserves: Capital and Revenue Reserves	0.209	
6.843	Unusable Reserves: Revaluation Reserve	6.569	
7.050	Net Reserves	6.778	

Common Good Account

Notes – Property Plant and Equipment

	OTHER LAND AND BUILDINGS						TOTAL
	Stewarton £m	Darvel £m	Newmilns £m	Cumnock £m	Galston £m	Kilmarnock £m	£m
Cost or Valuation:							
At 1 April 2013	0.161	0.760	0.228	0.874	0.040	5.348	7.411
Expenditure	-	-	-	-	-	-	-
Revaluations	-	-	-	(0.125)	-	-	(0.125)
At 31 March 2014	0.161	0.760	0.228	0.749	0.040	5.348	7.286
Depreciation and Impairment:							
at 1 April 2013	(0.012)	(0.080)	(0.055)	(0.077)	(0.001)	(0.343)	(0.568)
Depreciation charge	(0.004)	(0.020)	(0.016)	(0.022)	(0.001)	(0.086)	(0.149)
At 31 March 2014	(0.016)	(0.100)	(0.071)	(0.099)	(0.002)	(0.429)	(0.717)
Net Book Value at 31 March 2013	0.149	0.680	0.173	0.797	0.039	5.005	6.843
Net Book Value at 31 March 2014	0.145	0.660	0.157	0.650	0.038	4.919	6.569

Trusts and Bequests

The Council administers a number of charitable funds which are registered with the Office of Charities Regulators (OSCR). The Funds are not assets available to the Council and have not been included in the Council's Balance Sheet. The Trusts operate as registered charities and produce separate financial statements, published on the OSCR website at www.oscr.gov.uk.

2012-13			Fund Balances	2013-14		
Capital Fund	Revenue Fund	Total Funds		Capital Fund	Revenue Fund	Total Funds
£	£	£		£	£	£
41,553.96	459,439.13	500,993.09	Opening Balances at 1 April 2013	41,270.61	440,398.43	481,669.04
283.35	22,234.98	22,518.33	Expenditure	(198.61)	(25,567.15)	(25,765.76)
-	3,194.28	3,194.28	Income	13.91	2,510.75	2,524.66
(283.35)	(19,040.70)	(19,324.05)	Surplus / (Deficit)	(184.70)	(23,056.40)	(23,241.10)
41,270.61	440,398.43	481,669.04	Closing Balances at 31 March 2014	41,085.91	417,342.03	458,427.94

2012-2013	Balance Sheet as at 31 March 2014		2013-14
£			£
3,808.00	Investments - External		3,808.00
477,861.04	Investments - Loans Fund		454,619.94
481,669.04			458,427.94
Financed By:			
41,270.61	Capital Funds		41,085.91
440,398.43	Revenue Funds		417,342.03
481,669.04	Closing Balance at 31 March 2014		458,427.94

Name	Origin and Purpose	Loans Fund	External Investment	Total
		£	£	£
Robert Crawford's Bequest (SCO 19301)	To Provide Books For Public Library	-	-	-
John Fulton Soup Kitchen Trust (SCO 19300)	To Distribute Soup To The Poor	1,355.17	100.00	1,455.17
James Murdoch Trust (SCO 19305)	Provide An Annual Payment To One Poor Aged Deserving Kilmarnock Resident	4,031.91	-	4,031.91
Tannock's Trust (SCO 19304)	To Provide Annuities To Females	3,944.52	-	3,944.52
Archibald Taylor Fund (SCO 19308)	To Provide Special Nursing Or Convalescent Treatment Or A Holiday During Convalescence	397,435.20	-	397,435.20
Matthew L. Cochran's Bequest (SCO 19312)	To Provide Holidays For Elderly Deserving People Resident in Kilmarnock	-	-	-
East Ayrshire Emergency Relief Trust (SCO 24411)	Assistance for any organisation, body, resident or person suffering hardship, poverty or distress due to emergency, natural disaster, flood, subsidence, severe weather, or fire, or for such other reason as the trustees may agree	8,892.21	-	8,892.21
Graham Ramage Trust (SCO 25073)	To benefit Cumnock residents	1,251.24	2,678.00	3,929.24
Sommerville Trust (SCO 25073)	Relief of Poor - Sorn Parish	720.07	-	720.07
Mrs E McWhirter Trust (SCO 25073)	To maintain burial grounds at Dalmellington	635.54	1,030.00	1,665.54
Miss Annie Smith Mair Bequest (SCO 21095)	To assist persons from Newmilns and Greenholm	36,354.08	-	36,354.08
		454,619.94	3,808.00	458,427.94

Trusts and Bequests

The Council also administers the following Trusts which are not OSCR registered.

Capital & Revenue Accounts	01 April 2013		Expenditure in Year		Income in Year		31 March 2014		
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Total	Total	Total
	£	£	£	£	£	£	£	£	£
B C Roxburgh Bequest	10,796.00	8,207.45	-	(544.57)	-	94.78	10,796.00	7,757.66	18,553.66
Newmilns Benevolent Association	-	8,258.40	-	-	-	169.12	-	8,427.52	8,427.52
Misses Murray Legacy Trust	535.06	2,030.01	-	-	-	10.27	535.06	2,040.28	2,575.34
D Smith Trust	100.00	1,055.42	-	-	-	5.85	100.00	1,061.27	1,161.27
Dalmellington Cemetery Trust	58.00	40.83	-	-	-	0.50	58.00	41.33	99.33
R Mitchell Trust	50.00	36.18	-	-	-	0.18	50.00	36.36	86.36
Mrs H S Wilson Trust	149.23	103.62	-	-	-	0.52	149.23	104.14	253.37
Dalrymple Cemetery Trust	122.42	85.47	-	-	-	0.43	122.42	85.90	208.32
Polish Patients Fund	13.40	8.64	-	-	-	0.04	13.40	8.68	22.08
Miss A Stevenson Trust	100.00	70.40	-	-	-	0.86	100.00	71.26	171.26
Mrs C Gordon Trust	100.00	70.40	-	-	-	0.86	100.00	71.26	171.26
Miss J Leiper Young Trust	100.00	70.40	-	-	-	0.86	100.00	71.26	171.26
Miss J M M Cuthbert Executory	100.00	70.40	-	-	-	0.86	100.00	71.26	171.26
GAA Trust	-	4,305.86	-	-	-	21.78	-	4,327.64	4,327.64
Gavin Memorial Fund	2,080.21	664.18	-	-	-	8.62	2,080.21	672.80	2,753.01
Brown Prize Fund	216.00	152.75	-	-	-	1.87	216.00	154.62	370.62
Hon. Alex Shaw Prize	100.00	25.00	-	-	-	0.63	100.00	25.63	125.63
Morton Steven Dux Medal	31.81	0.26	-	-	-	0.16	31.81	0.42	32.23
James Mackie Memorial Prize	65.00	33.05	-	-	-	0.50	65.00	33.55	98.55
Hood Endowment	47.15	10.92	-	-	-	0.29	47.15	11.21	58.36
A B Carswell Prize	285.07	133.81	-	-	-	1.77	285.07	135.58	420.65
William Wilson Memorial Prize	109.00	42.11	-	-	-	0.76	109.00	42.87	151.87
McKenzie Prizes	44.00	62.69	-	-	-	0.54	44.00	63.23	107.23
Galston Town Council Dux Medal	150.00	37.17	-	-	-	0.95	150.00	38.12	188.12
George Mason Prize Fund	42.05	2.23	-	-	-	0.22	42.05	2.45	44.50
Robert C Grant Prize Fund	123.13	0.84	-	-	-	0.63	123.13	1.47	124.60
Sarah B Campbell	259.00	2,737.58	-	-	-	15.16	259.00	2,752.74	3,011.74
Jean G Glennie	14.93	-	-	-	-	-	14.93	-	14.93
John Minto Prize Fund	100.00	35.79	-	-	-	0.69	100.00	36.48	136.48
W S Oughton Memorial Prize Fund	30.00	26.91	-	-	-	0.29	30.00	27.20	57.20
Sir Alexander Fleming Prize Fund	200.00	66.60	-	-	-	1.35	200.00	67.95	267.95
John C Kennedy Trust	1,000.00	19,095.77	-	-	-	101.69	1,000.00	19,197.46	20,197.46
Agnes Smith Campbell Prize Fund	400.00	424.44	-	-	-	4.17	400.00	428.61	828.61
T K Stevenson Memorial Prize	50.00	47.01	-	-	-	0.49	50.00	47.50	97.50
Total	17,571.46	48,012.59	-	(544.57)	-	447.69	17,571.46	47,915.71	65,487.17

Trusts and Bequests

Name	Origin and Purpose	Loans Fund	External Investment	Total
		£	£	£
B C Roxburgh Bequest	To be used for the benefit of citizens of Darvel	18,553.66	-	18,553.66
Newmilns Benevolent Association	For the alleviation of illness to persons residing in Newmilns	4,186.71	4,240.81	8,427.52
Misses Murray Legacy Trust	Relief of poor - Old Cumnock Parish	2,040.28	535.06	2,575.34
D Smith Trust	To Maintain Burial Grounds	1,161.27	-	1,161.27
Dalmellington Cemetery Trust	To Maintain Burial Grounds	99.33	-	99.33
R Mitchell Trust	Upkeep of Lair - Mauchline Cemetery	36.36	50.00	86.36
Mrs H S Wilson Trust	Upkeep of Lair - New Cumnock Cemetery	104.14	149.23	253.37
Dalrymple Cemetery Trust	To Maintain Burial Grounds	85.90	122.42	208.32
Polish Patients Fund	Upkeep of Memorial Stone - Mauchline	8.68	13.40	22.08
Miss A Stevenson Trust	Upkeep of Lair - Mauchline Cemetery	171.26	-	171.26
Mrs C Gordon Trust	Upkeep of Lair/Headstone Auchinleck Cemetery	171.26	-	171.26
Miss J Leiper Young Trust	Upkeep of Lair/Headstone Mauchline Cemetery	171.26	-	171.26
J M M Cuthbert Executory	Upkeep of Lair/Headstone Stair Cemetery	171.26	-	171.26
GAA Trust	To Maintain Burial Grounds	4,327.64	-	4,327.64
Gavin Memorial Fund	To Provide Prizes for Schools in Dalmellington	1,712.80	1,040.21	2,753.01
Brown Prize Fund	To Provide Prizes for Dux Boy & Girl at Cumnock Academy	370.62	-	370.62
Hon. Alex Shaw Prize	To provide prizes at Kilmarnock Academy	125.63	-	125.63
Morton Steven Dux Medal	To provide A Dux Medal at Kilmarnock Academy	32.23	-	32.23
James Mackie Memorial Prize	To provide prizes at Kilmarnock Academy	98.55	-	98.55
Hood Endowment	To provide prizes at Loudoun Academy	58.36	-	58.36
A B Carswell Prize	To provide prizes at Loudoun Academy	351.58	69.07	420.65
William Wilson Memorial Prize	To provide a cash prize for leadership (Girl) at Auchinleck Academy	151.87	-	151.87
McKenzie Prizes	To provide prizes for nature study at Auchinleck Academy	107.23	-	107.23
Galston Town Council Dux Medal	To provide Dux medals at Galston junior secondary & St Sophia's RCS	188.12	-	188.12
George Mason Prize Fund	To provide a prize for Art at Grange Academy	44.50	-	44.50
Robert C Grant Prize Fund	To provide prizes at Kilmarnock Academy	124.60	-	124.60
Sarah B Campbell	To provide bursaries for Bellsbank Primary School	3,011.74	-	3,011.74
Jean G Glennie	To provide prizes at Auchinleck Academy	14.93	-	14.93
John Minto Prize Fund	To provide a prize at Loanhead Primary	136.48	-	136.48
WS Oughton Memorial Prize	To provide a prize at Doon Academy	57.20	-	57.20
Sir Alexander Fleming Prize Fund	To provide a prize for science at Loudoun Academy	267.95	-	267.95
John C Kennedy Trust	To provide a prize at Bellsbank Primary School	20,197.46	-	20,197.46
Agnes S. Campbell Prize Fund	To provide a prize at Doon Academy	828.61	-	828.61
T K Stevenson Memorial Prize	To provide prizes at Greenmill Primary	97.50	-	97.50
Total		59,266.97	6,220.20	65,487.17

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate and Democratic Core. Comprises all activities which local authorities engage in specifically because they are democratically 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 services. There is, therefore, no logical basis for apportioning these costs to services.

Corporate Governance The Council has approved and adopted a code of corporate governance which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework for Corporate Governance in Local Government. A Corporate Governance Statement of Assurance is included within the Financial Statements.

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

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

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

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

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

Glossary of Terms

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

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

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

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

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

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

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

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

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

Fixed Assets. Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Glossary of Terms

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

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

Net Realisable Value. The open market value of the asset in its existing use, or open market value in the case of non-operational assets, less the expenses to be incurred in realising the asset.

Non Current Assets. Non Current assets are not expected to be realised within 12 months and are held to provide future economic benefits to the Council.

Non Operational Assets. Are assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Officers' Remuneration. All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are subject to UK Income Tax).

Operating Leases. A lease other than a finance lease, i.e. a lease which does not transfer the risks and rewards of ownership to the lessee.

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

Past Service Costs (Pensions). The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pensions Reserve. The Pensions Reserve absorbs the timing differences arising from different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

Prior Period Adjustments. Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Public Private Partnerships (PPP). These partnerships enable the public sector to purchase services from the private sector and pay a fee based on pre-defined output criteria. The private sector uses this fee to repay loans taken out to finance the initial building or refurbishment of the assets.

Related Party Transactions. A related party transaction is the transfer of assets or liabilities, or the performance of services by, to or for a related party irrespective of whether a charge is made.

Relevance: Providing information about the Council's financial position, performance and cash flows that is useful for assessing the stewardship of public funds and for making economic decisions

Repairs and Renewals Fund. This contains funds credited at the Council's discretion from the HRA and General Fund and is available for use on capital or revenue expenditure on Council assets.

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

Service Expenditure Analysis (SEA). An analysis which groups together expenditure on services within headings or divisions as defined in the Service Reporting Code of Practice (SeRCOP).

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

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

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

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

Independent Auditor's Report

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

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

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

Respective responsibilities of the Executive Director of Finance and Corporate Support and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

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

Independent Auditor's Report

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight, FCA

Assistant Director, Audit Services

Audit Scotland

4th Floor, The Athenaeum Building

8 Nelson Mandela Place, Glasgow, G2 1BT

16 September 2014