

EAST AYRSHIRE COUNCIL



ANNUAL ACCOUNTS

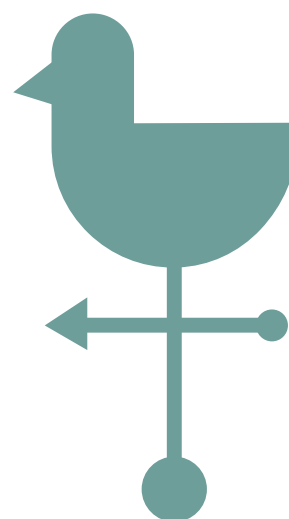
2019 - 2020



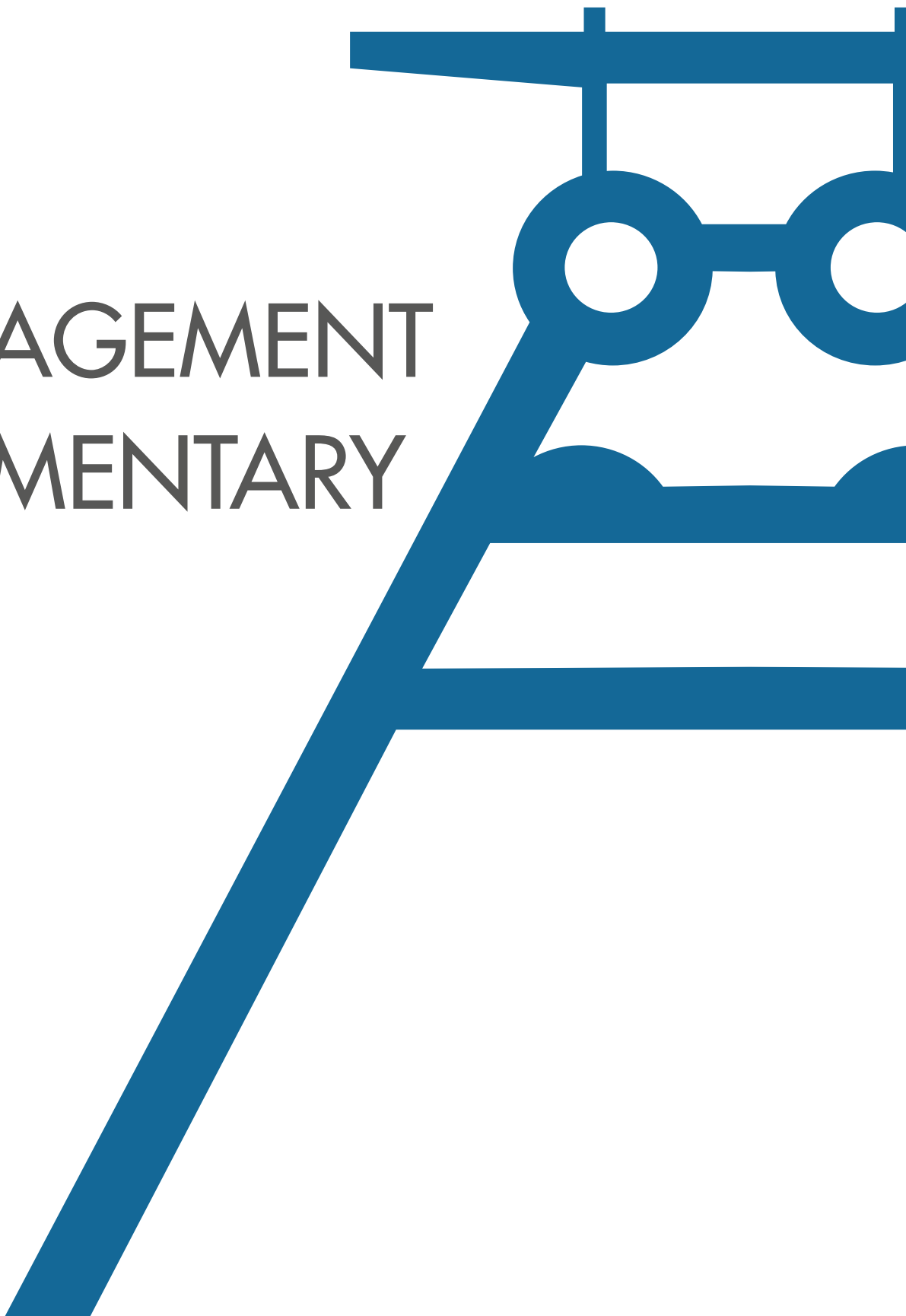
East Ayrshire Council
Comhairle Siorrachd Àir an Ear

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MANAGEMENT COMMENTARY



MANAGEMENT COMMENTARY

This management commentary is designed to help users of the Annual Accounts to assess how the Council has performed during 2019/20 and to understand our financial performance for the year to 31 March 2020. It also outlines our approach to some of the challenges and risks we face as we continue to deliver positive outcomes for our communities, whilst maintaining financial stability.

Coronavirus (COVID -19)

The last quarter of 2019/20 saw a coronavirus pandemic spreading around the globe. The Scottish and UK governments imposed significant restrictions on movement of people which came into effect on 23 March 2020. This resulted in a shutdown of most economic activity, the closure of all schools and colleges, a requirement for employers to take steps to facilitate employees to work from home where possible and unprecedented levels of financial support being provided by the UK Government. The Council reduced front line services to those deemed "mission critical", including keeping vulnerable people of all ages safe and providing personal care services and food to those in need. Further details of the actions taken are included later in this commentary.

The crisis has not had a significant impact on the financial position for 2019/20 but is continuing and significant costs are being incurred by the Council and the Health and Social Care Partnership in dealing with the impact on individuals and communities. Income streams have reduced or ceased and previously planned savings have not been able to be achieved. The final costs will depend upon the recovery timescale but whilst some additional resources have been provided, the Scottish Government has indicated that they are unable at this stage to confirm whether the financial impact on councils can be underwritten. Given the essential nature of the services involved, this may therefore impact adversely on the financial outturn for 2020/21. Close monitoring of the position has been implemented and will continue.

ABOUT EAST AYRSHIRE



“East Ayrshire is a place with strong, safe and vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people’s needs.”

(Source: East Ayrshire Community Plan 2015 - 2030)

ABOUT EAST AYRSHIRE



Councillors 32 elected members

- 14 SNP
- 9 Labour
- 6 Conservative
- 2 Independent
- 1 Rubbish Party



Largest towns :

- Kilmarnock population: 46,005
- Cumnock population: 8,657



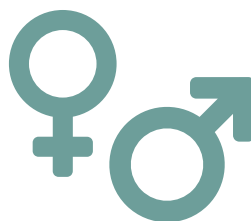
Council workforce

6,315 employees

- Male: 26.1%
- Female: 73.9%

Population: 122,010

Male: 48.5%



Female: 51.5%

Ages 0 - 15: 17.3%

Ages 16 - 64: 62.3%

Ages 65+: 20.4%



2019/20 Approved
Revenue Budget:
£353.907m

2019/20 Capital
Investment Budget:
£118.496m



Infrastructure

- 301 council buildings
- 12,142 council houses
- 1,207 km of road network



Land Area **490 square miles**

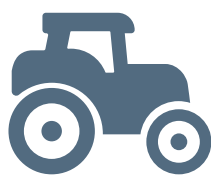


Economy

- 74.3% adults in employment (Scotland 74.8%)
- 3,200 businesses operating across the area



Urban Land: 3.4%



Rural land: 96.6%



Poverty and deprivation:

- 23% datazones in the 0-15% SIMD 2020 most deprived in East Ayrshire

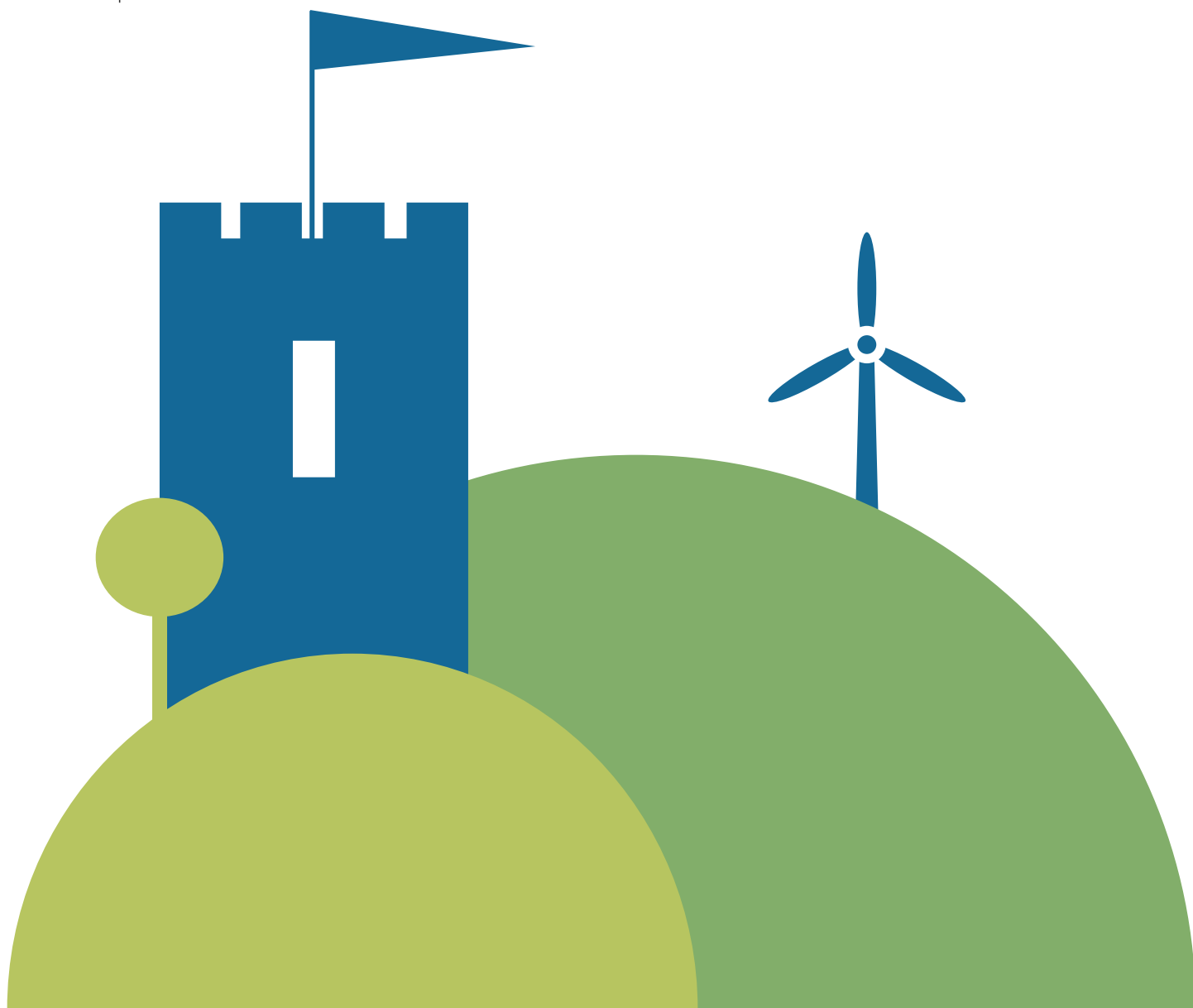
Statistics are based on the most recent data available

Demography

Between 2018 and 2028 the number of people living in East Ayrshire is forecast to fall by 1.7%, while the population of Scotland is projected to increase by 1.8% over the same period. The projected change is not evenly spread across the different age groups and this will significantly impact on the services we provide and on the funding we receive from the Scottish Government.

Public Sector Spending

Similar to other public sector bodies we continue to face ongoing and increasing challenges as reduced resources and growing demand for our services means that we need to continually find innovative ways to make less money go further. National policy and legislative changes also place additional demands on local government as well as economic uncertainty arising from the United Kingdom's formal exit from the European Union on 31 January 2020 and the longer term impact on the economy of the global coronavirus pandemic referred to above.



OUR VISION AND PRIORITIES

East Ayrshire Community Plan is recognised by all Community Planning Partners as the sovereign strategic planning document for the delivery of public services across the local area. The Community Plan sets out how we will work to realise our shared Vision for the area for the period from 2015 to 2030.

“East Ayrshire is a place with strong, safe and vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people’s needs.”

(Source: East Ayrshire Community Plan 2015-2030)

East Ayrshire Community Planning Partnership comprises representation from the following organisations: the Council; NHS Ayrshire and Arran; Police Scotland (including Police Authority); Scottish Fire and Rescue Service; Scottish Enterprise; Ayrshire College; Strathclyde Partnership for Transport; Skills Development Scotland; East Ayrshire Health and Social Care Partnership; Ayrshire Chamber of Commerce and Industry; Scottish Government; Voluntary Action East Ayrshire (Third Sector Interface); and the community through representatives of Community Councils and Community Led Action Plans.

The thematic priorities of our Community Plan, which acts as our Corporate Plan, continue to be progressed through the implementation of three strategic Delivery Plans, operating for the three-year period 2018-2021 and these are mirrored by our management structure as follows:

- **Economy and Skills**
- **Safer Communities**
- **Wellbeing**

Our strategic priorities are aligned with the three Community Planning Partnership Board priorities for 2018-2021 and are reflected across all of our work:

- **Improving outcomes for vulnerable children and young people, with a particular focus on looked after children and young people and young carers.**
- **Older people: adding life to years – tackling social isolation.**
- **Community led regeneration – empowering communities and building community resilience.**



OUR PERFORMANCE

Our Annual Performance Report consolidates and summarises our partnership and service performance over the year, to support our public performance reporting arrangements. Our annual performance reports can be viewed on our website.

Our Partnership Performance

The Local Outcomes Improvement Plan 2018-2021 (LOIP) underpins our Community Plan and provides the performance management framework against which we demonstrate progress and achievement towards improving outcomes for our people and communities. The local outcomes and performance measures identified in our LOIP are linked to the National Performance Framework, where and when appropriate.

Our performance is reported annually to a joint meeting of the Council and the Community Planning Partnership Board in September each year. The LOIP Annual Report is available at: www.eastayrshirecommunityplan.org and the LOIP Improvement Agenda supports our work to improve performance going forward.

Our Service Performance

Service performance is summarised through a range of Statutory Performance Indicators, which are reported annually with further information on our services available at:

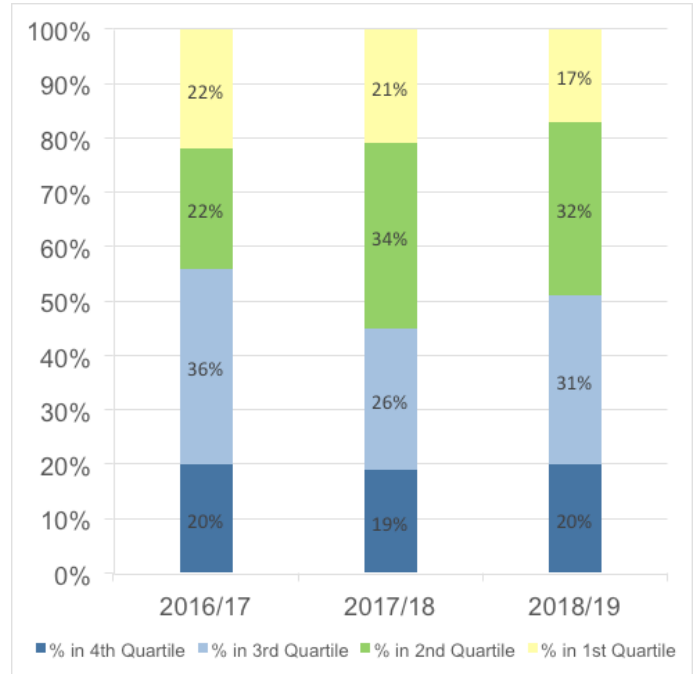
www.east-ayrshire.gov.uk

Comparing Our Performance

Our performance is compared through a range of national benchmarking forums, including the Local Government Benchmarking Framework (LGBF), as a means of identifying good practice and supporting continuous improvement. Importantly, we use benchmarking to support our work to ensure that local communities receive the best possible services and outcomes.

The latest LGBF data available (2018/19) was published in March 2020. Whilst the publishing timescale is not helpful the data can be used by councils to compare their performance against a set of efficiency, output and outcome indicators that cover a range of service areas of local government activity. In 2018/19, 49.4% of our LGBF indicators were in the top two quartiles (2017/18 55.3%). In addition, we have seen an improving longer term trend in 61.4% of performance indicators between 2010/11 and 2018/19, and improving/maintaining performance in 54.2% of indicators between 2017/18 and 2018/19.

East Ayrshire Council – Percentage of LGBF indicators in each quartile – 2016/17 – 2018/19



In 2018/19, some examples of where our performance was among the top performing councils in Scotland include: child protection re-registrations; roads maintenance (A class roads); care at home for people aged 65+ with long term care needs; quality and energy efficiency of council dwellings; sickness / absence per employee; and condition of council buildings.

There can be a number of reasons for variance amongst councils including data collection arrangements, socio-economic conditions and service choice. Areas where we accept that performance may be improved and we will review include:

Council Tax income; school attendance rates; participation rate for 16-19 year olds; street cleanliness; hospital readmissions; care services inspections; and cost of planning applications.

Performance is reported annually to our Governance and Scrutiny Committee, following review and extensive analysis of the national LGBF datasets. The report to members which is accessible on our website, details our position against all other Scottish councils and provides an opportunity to identify where we are performing well and areas for improvement. We continue to take a targeted approach to improving performance.

Further information on how we compare with other Scottish councils is available on the 'mylocalcouncil' portal: <https://www.improvementservice.org.uk/benchmarking/explore-the-data>

2019/20 HIGHLIGHTS

We are committed to delivering best value services and our work to improve and transform is recognised locally and nationally. Some examples of our notable activity in 2019/20 include the following:



The Ayrshire Growth Deal is the first non-City Deal in Scotland and brings over £250m of public sector financial investment to drive economic development across the region boosting jobs, creating opportunity and encouraging further inward investment. Major projects include The Halo Kilmarnock; the National Energy Research and Demonstration Centre, Cumnock; a Food and Drink Innovation Centre and start up units at Bellfield, Kilmarnock; and Phase 3 of Moorfield Business Park, Kilmarnock. The projects will see local residents benefitting from the broader investment across Ayrshire including employment opportunities and infrastructure improvements.

A dedicated programme of support services for our older people and vulnerable residents enables them to live independently in their homes for longer and has contributed to maintaining zero delayed discharges from hospital. Discharging our residents to an appropriate community setting when they no longer require hospital treatment is a key focus and we have consecutively met the national target since 2009.



In November 2019, a new assisted living development at Andrew Nisbet Place in Hurlford, was officially opened by Kevin Stewart MSP, Minister for Local Government, Housing and Planning. Aligned to our Strategic Housing Investment Programme (SHIP), this development provides 13 assisted homes, designed for people with a range of support needs, enabling them to live safely and independently in the local community, with assistance from health and social care services. This builds on the similar award winning Lillyhill Gardens development in the centre of Kilmarnock.



We adopted the 'Make a Stand Pledge' in 2019, specifically committing our housing services to support people experiencing domestic abuse. In addition, we continue to support the '16 Days of Action', which aims to eliminate all forms of gender based violence.



Over 60 young people from across East Ayrshire gathered in the Council Chambers to make their voices heard on a range of environmental concerns as part of the East Ayrshire Youth Climate Change Conference. The conference was organised and hosted by the Children and Young People’s Cabinet with support from the Council and provided an opportunity for our young people to have a say on our approach to combatting climate change. Feedback was used to inform the Council’s Climate Change Declaration. Delegates included young people from East Ayrshire’s primary and secondary schools, elected members and senior officers from East Ayrshire Council and partner organisations.



In 2019, we launched Here to Listen, a suicide prevention and awareness campaign as our commitment to supporting our employees and the community and we continue to roll out safeTALK and Applied Suicide Intervention Skills training courses to both groups. Over 1,000 employees and 100 members of community groups have received suicide prevention training.

EXTERNAL VALIDATION

Our performance is subject to scrutiny by a range of external audit and inspection agencies, which provide assurance that our services are well managed, fit for purpose, provide value for money and, importantly, meet the needs of service users. In addition, a range of our work has been widely recognised locally and nationally, and has been successful in attracting a number of prestigious awards over the year.

Examples of our achievements in 2019/20 include the following:

Educational Attainment Tracking System

Our Education and ICT teams won a Gold Award at the iESE UK Public Sector Transformation Awards in March 2020 in the 'Best Use of Digital and Technology' category. The services collaborated to design and implement a unique educational attainment tracking system, with a selection of tools that enable schools to interpret data, identify gaps in learning and deliver appropriate specific educational intervention. Our determination to improve educational outcomes for young people who live in our most deprived areas relies on the availability of accurate, real-time and relevant performance information to measure individual pupil attainment and identify where progress is good and where more support is required.



Ochiltree Community Hub

We supported the development of Ochiltree Community Hub, following a successful community asset transfer of the site of the former community centre. The project to create a new £1.8m multi-purpose, community owned facility was conceived and managed by the community itself and opened to the public on 22 July 2019. It is operated by the community and is making a positive impact on the local area. This project won a national award at the 2019 SURF Awards and amply demonstrates what can be achieved by empowered communities.

Bellsbank Community

Bellsbank, East Ayrshire was announced as the Winner of the Scottish Civic Trust My Place Awards 2019. The wonderful landscape setting at the head of the Doon Valley overlooking the Bogton Loch was not matched by the physical appearance and condition of the housing stock. The idea to bring colour to Bellsbank was conceived of locally and the Council's Housing and Communities Service invited residents to choose from a carefully considered colour plan. The unique, innovative and collaborative approach at Bellsbank, with residents engaged and empowered from the outset, has seen a transformative effect. The improvements have not only been felt in the dramatic visual enhancement of the village, but also in tackling social isolation and loneliness, fuel poverty, food insecurity and connectedness.

Whole Class Strings Project

The Whole Class Strings Project won the Excellence in Primary and Early Years Award at the UK National Music and Drama Education Awards. This initiative gives primary school pupils the chance to learn to play a string instrument and take part in a class string ensemble. Teachers have been delighted to note resulting improvements in behaviour, teamwork, engagement, concentration and self esteem.

Get Doon Tae Chat

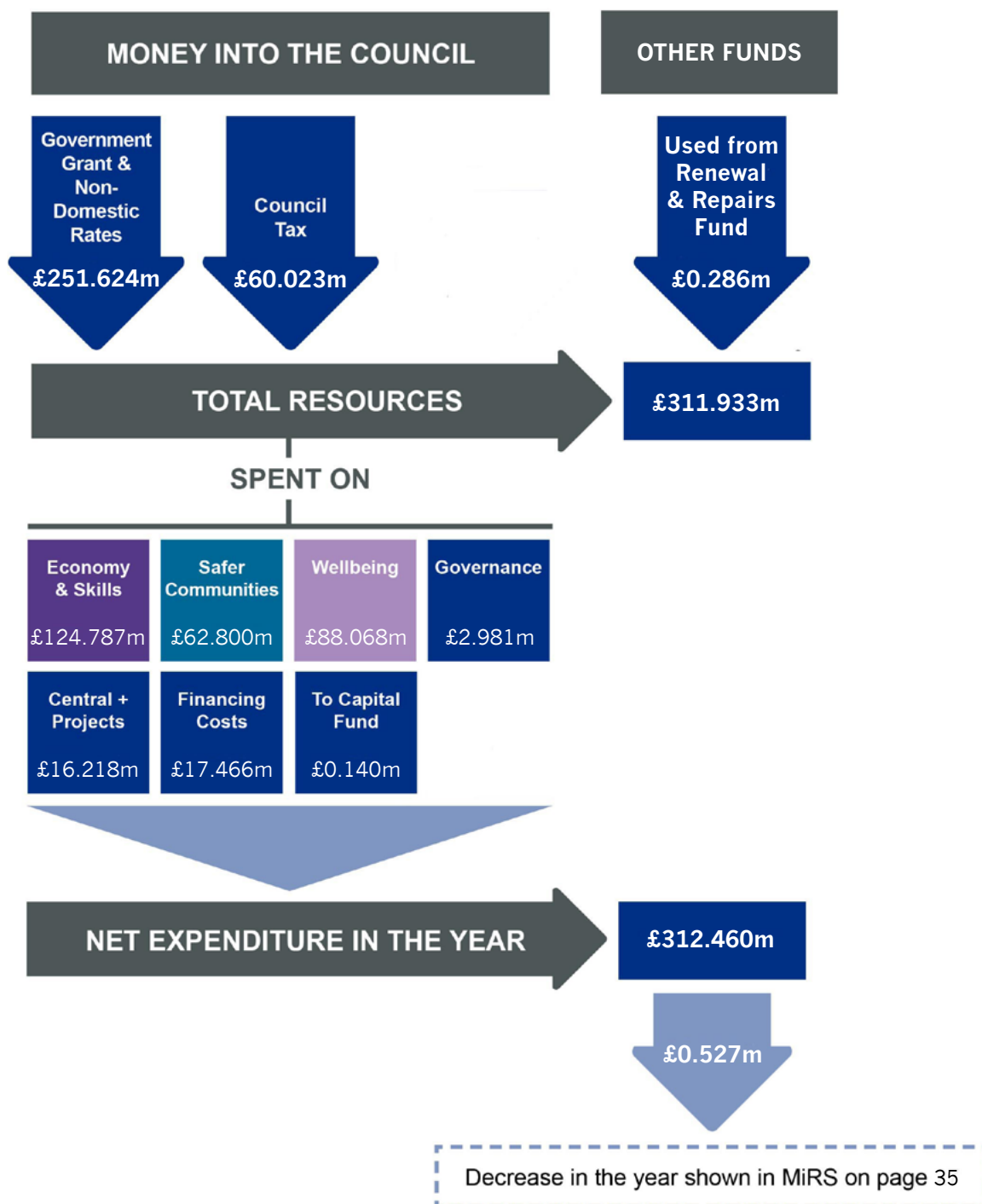
The Get Doon Tae Chat initiative won the Compassionate Collaboration Award at the Children and Young People Improvement Collaborative (CYPIC) Awards Ceremony on the 12 November. The project was established in response to high levels of concern arising from the results of health and development checks carried out on 27-30 month olds which noted poor levels of attainment of speech, language and communication. Representatives from Speech and Language Therapy, local Early Years Establishments, Community Practitioners and Health got together to do something collaboratively. The Get Doon Tae Chat project recognises the importance of providing early intervention and advice to families on the importance of talking to their young children. The project has successfully reduced the measures which indicate communication needs from 30% to 16%.

OUR FINANCIAL PERFORMANCE

Financial information is a key element of our performance management framework and East Ayrshire Performs reports are presented regularly to Cabinet and to the Governance and Scrutiny Committee and are published on our website. Our management accounting arrangements are aligned with our management structure and are based on the Community Planning themes shown on page 7. The [2019/20 Financial Outturn Report](#) was considered by the Council along with these Annual Accounts on 25 June 2020.

General Fund Revenue Expenditure

The net spend on General Fund services in 2019/20 was £312.460m and actual income and expenditure is shown below. During the year the £0.286m was utilised from the Renewal and Repairs Fund and £0.140m transferred to the Capital Fund.



The Comprehensive Income and Expenditure Statement (CIES) sets out our funding and spending in line with accounting requirements which is different to the way we report financial performance internally. The Expenditure and Funding Analysis (EFA) on page 33 provides a link between budget management reports and the figures in the CIES. The table below provides a link between our [Financial Outturn Report](#) and the first column of the EFA on page 33 and to the CIES on page 37.

Financial Outturn Report				Building the EFA				EFA Segment	EFA Column 1
2019/20	Annual Budget	Financial Outturn report: Actual to 31 March 2020	Variance (favourable) / adverse	Financial Outturn report: Actual to 31 March 2020	Movements - Contribution from Health & Social Care and Specific Grants	Movements - amounts not included within Net Cost of Services	Net Expenditure chargeable to the General Fund & HRA Balances		Net Expenditure chargeable to the General Fund & HRA Balances
	£m	£m	£m	£m	£m	£m	£m	£m	
Education	110.642	109.569	(1.073)	109.569	(10.482)	-	99.087	Education	99.087
Finance and ICT	8.571	8.028	(0.543)	8.028	-	-	8.028	Finance and ICT	8.028
Planning and Economic Development	5.812	4.924	(0.888)	4.924	-	-	4.924	Planning and Economic Development	4.924
Policy Planning and Performance Division	1.780	1.774	(0.006)	1.774	-	-	1.774	Economy and Skills Other Segments	2.266
Central Mgt Support Economy and Skills	0.607	0.492	(0.115)	0.492	-	-	0.492		
Housing and Communities	15.733	16.086	0.353	16.086	-	-	16.086	Housing and Communities	16.086
Ayrshire Roads Alliance	6.712	6.339	(0.373)	6.339	-	-	6.339	Ayrshire Roads Alliance	6.339
Facilities and Property Management	26.008	25.700	(0.308)	25.700	-	-	25.700	Facilities and Property Management	25.700
Human Resources	2.065	1.899	(0.166)	1.899	-	-	1.899	Human Resources	1.899
Transport Services	4.993	5.055	0.062	5.055	-	-	5.055	Transport (incl SPT)	7.247
SPT	2.249	2.192	(0.057)	2.192	-	-	2.192		
Arms Length Organisations	4.933	4.933	-	4.933	-	-	4.933	Arms Length Organisations	4.933
Central Mgt Support Safer Communities	0.259	0.264	0.005	0.264	-	-	0.264	Safer Communities Other Segments	0.596
Health and Safety	0.320	0.292	(0.028)	0.292	-	-	0.292		
Emergency Planning	0.064	0.040	(0.024)	0.040	-	-	0.040		
Children Families and CJS	20.386	19.867	(0.519)	19.867	(2.630)	-	17.237	Social Work: Provision of Services	76.593
Outwith Placements	4.744	4.755	0.011	4.755	-	-	4.755		
Community Care	56.105	54.987	(1.118)	54.987	-	-	54.987		
Service Strategy	5.934	5.435	(0.499)	5.435	-	-	5.435		
Lead Partnership Services	0.664	0.678	0.014	0.678	-	-	0.678	Governance	2.981
Public Protection	0.732	0.623	(0.109)	0.623	-	-	0.623		
Premises Costs	0.467	0.467	-	0.467	-	-	0.467		
IHSC Debtor / Creditor to IJB	(0.964)	1.256	2.220	1.256	-	-	1.256	Chief Executive Office (incl Internal Audit)	0.644
Social Care Allocation from NHS	-	-	-	-	(8.845)	-	(8.845)		
Governance	3.094	2.981	(0.113)	2.981	-	-	2.981	Chief Executive Office (incl Internal Audit)	0.644
Chief Executive Office (incl Internal Audit)	0.672	0.644	(0.028)	0.644	-	-	0.644		
Other Non Service Related Expenditure	4.897	2.926	(1.971)	2.926	-	-	2.926	Central Services	5.874
Insurance	2.519	2.129	(0.390)	2.129	-	-	2.129		
Financing Costs	17.606	17.466	(0.140)	17.466	-	(17.466)	-		
HB/ CT Benefit Subsidy	10.385	10.476	0.091	10.476	-	(9.036)	1.440		
Council Tax	(60.283)	(60.023)	0.260	(60.023)	-	59.357	(0.666)	Projects	0.043
Government Funding	(251.607)	(251.624)	(0.017)	(251.624)	21.957	229.712	0.045		
Use of Balances	(6.007)	-	6.007	-	-	-	-	Housing Revenue Account	0.050
Reserve Transfers (net position)	(0.286)	(0.146)	0.140	(0.146)	-	0.146	-		
Projects	0.194	0.043	(0.151)	0.043	-	-	0.043		
Housing Revenue Account	-	0.050	0.050	0.050	-	-	0.050		
Net Cost of Services (EFA Column 1)	-	0.577	0.577	0.577	-	262.713	263.290		263.290

Note 1 The £8.845m shown in the column headed "Movements - Contribution from Health & Social Care and Specific Grants" represents the Council's share of funding from Scottish Government that was first allocated to NHS Ayrshire and Arran prior to being transferred to the Council. The £10.482m and the £2.630m in Education and Children, Families and Criminal Justice Service reflect the Specific Grants for Pupil Equity Funding, Gaelic and Criminal Justice.

Note 2 The "Movements - amounts not included within Net Cost of Services" mostly relate to taxation and non specific grant income and are reflected in the EFA and the CIES (below Net Cost of Service) in line with the presentational requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code).

Summary Reconciliation of Accounts and Financial Outturn Report

	General Fund £m	HRA £m	Total EAC £m
(Surplus)/ Deficit on the Provision of Services (CIES)	64.967	24.509	89.476
Remove adjustments that don't feature in the Financial Outturn report			
Depreciation	(22.977)	(11.002)	(33.979)
Impairment	(51.404)	(23.736)	(75.140)
Amortisation	(0.096)	-	(0.096)
Capital Grants and Contributions Applied	19.383	4.304	23.687
CFCR	0.077	8.463	8.540
Net Gain/ (Loss) on Disposal of Assets	0.163	(3.066)	(2.903)
Pension Adjustment	(19.700)	(2.505)	(22.205)
Repayment of Debt	10.699	3.007	13.706
Other Adjustments	(0.527)	0.076	(0.451)
Transfers to/ from Capital Fund	0.140	-	0.140
Transfers to/ from Other Statutory Reserves	(0.286)	-	(0.286)
Interest on Revenue Balances	0.088	-	0.088
Total adjustments excluded from EAC Performs Outturn	(64.440)	(24.459)	(88.899)
Movement in Balance shown in Annual Accounts (MiRS)	0.527	0.050	0.577
Adjust for:			
Utilisation of previous years balances	(6.282)	(0.170)	(6.452)
Proposed earmarked balances within the year	8.752	0.120	8.872
Reduction in Uncommitted General Fund Balance (Financial Outturn report)	2.997	0.000	2.997

General Fund Balance

The General Fund is the statutory fund into which all the receipts are required to be paid into and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. It is funded by Government Grants, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements) Fees and Charges and the balance is delineated between uncommitted balances and balances which have been earmarked for specific purposes. The MiRS on page 35 shows an overall reduction in the General Fund balance of £0.527m for the year with a closing balance of £36.092m which can be analysed as follows:

2018/19 Total £m	General Fund	Uncommitted Balance £m	Earmarked Balances £m	2019/20 Total £m
(9.149)	Movement within the year - Balance used	(2.997)	(6.282)	(9.279)
5.933	- Balance added	0.000	8.752	8.752
0.000	Reallocation - Balances Review	0.066	(0.066)	0.000
(3.216)	Total Decrease Shown in MiRS	(2.931)	2.404	(0.527)
39.835	Balance brought forward	12.354	24.265	36.619
36.619	Outturn Position (Total Balance shown in MiRS)	9.423	26.669	36.092

Details of the 2018/19 Balances can be found [here](#)

When the Council set its budget for 2019/20 it approved, as part of its Reserve and Balances Strategy, a minimum level of uncommitted (unearmarked) reserves of 2% which is kept under review throughout the year with transfers to and from the balance. At 31 March 2020 the General Fund Uncommitted balance was £9.423m, representing 2.7% of net revenue expenditure. (In 2018/19 £12.354m representing 3.7%).

Our Reserves and Balances Strategy also allows services to earmark and carry forward underspends into the next year for use on non-recurring, fixed term projects or to assist in aligning services with resources over a three year period. The earmarked balances are reviewed throughout the year and in line with our Balances Strategy an annual review of balances is reported to Cabinet. Within the year £0.066m was reallocated from earmarked balances to uncommitted balances, approved by [Cabinet on 20 November 2019](#) (2018/19 £0.200m). We established a Workforce Planning fund of £2m and further details of earmarked balances can be found in our Financial Outturn report

Housing Revenue Account (HRA) Balance

Previous years balances of £0.170m were utilised within the year with a further £0.120m earmarked at year end leaving a cumulative balance of £13.910m shown below.

2018/19 Balance £m	Housing Revenue Account	2019/20 Balance £m
0.000	<i>Movement within the year - Balance used</i>	(0.170)
0.911	- Balance added	0.120
0.911	Total (Decrease) Increase Shown in MiRS	(0.050)
13.049	Balance Brought Forward	13.960
13.960	Outturn Position	13.910

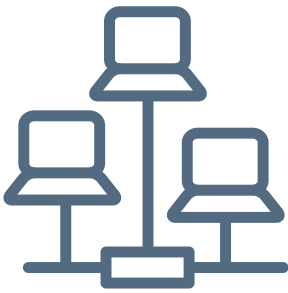
Details of the 2018/19 position can be found [here](#)

Balance Sheet

The Balance Sheet on page 38 is a snapshot summary of our assets and liabilities at 31 March 2020 and explanatory notes are provided to support the numbers. We ended the year with a net worth of £289.775m (2018/19 £300.538m) with £917.804m of non current assets spread across a range of plant, property, equipment and heritage assets (2018/19 £945.627m) and usable reserves of £71.482m (2018/19 £71.679m).

Our Capital Programme and Investment

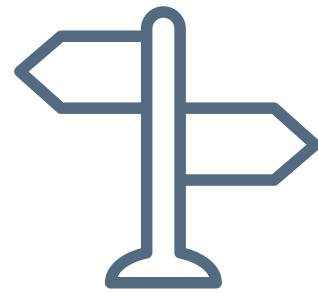
We recognise the importance to our communities of having access to attractive, modern and fit-for purpose facilities and continue to support an ambitious schools investment programme as part of our £377m General Services Capital Investment Programme and £175m investment in our houses through the Housing Revenue Account over the next 10 year period.



Education £44.626m



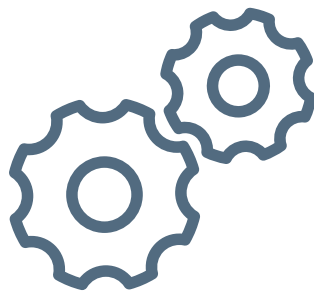
Housing £41.924m



Roads £10.973m



Wellbeing £0.150m



**Economic Regeneration
& Development £1.079m**



**Other Expenditure
£4.882m**

Total Capital Investment 2019/20 £103.634m

Funded by:



**Government Grants
£23.687m**



**Borrowing
£71.124m**



**Revenue
£8.540m**



**Capital Receipts
£0.283m**

Total £103.634m

During the year our total capital investment on General Fund services was £61.710m spent on developing and creating key assets for communities, including investment in roads, schools and business infrastructure. This was funded by £19.384m from government grants, borrowing of £42.250m and using £0.076m from revenue.

A further £41.924m was spent on the Housing Capital Programme on building, improving and acquiring assets in 2019/20 including the creation of council houses in our town centres, delivering new homes and local regeneration. This capital investment programme was funded by £8.464m from current revenue, borrowing of £28.874m, the utilisation of capital receipts of £0.283m and government grants of £4.303m.

SCHEME HIGHLIGHTS

Early Years Expansion



In line with Scottish Government policy on the provision of early learning and childcare (ELC), we are continuing our expansion plans to increase the number of free hours of ELC entitlement from 600 hours to 1 140 hours. This was intended to be operational from August 2020 but has had to be delayed due to the coronavirus pandemic. Across East Ayrshire a number of refurbishments and extensions to existing early childhood centres are under way funded by a Scottish Government capital grant allocation of £21.610m.

There are 29 projects in the current programme of works incorporating a number of refurbishment and extensions to existing properties and new external facilities.

The most significant projects include the construction of a new central food production facility at Rowallan Business Park, Kilmarnock and three new early childhood centres at Kilmaurs, Netherthird and Nether Robertland. The design of the three new build early childhood facilities is based on the concept proposals developed by the Council's own Architectural and Asset Planning Team following an invitation from the Scottish Futures Trust (SFT) to assist them with developing a Reference Design for a new early years facilities. This design has been published nationally and is being used by other Local Authorities as a reference when developing their own response to the Early Years Expansion Programme.

Bellsbank Primary School and Early Childhood Centre



Work commenced on the construction of a new build Bellsbank Primary School and Early Childhood Centre in February 2019. The project was a 'tandem' build with the new building being constructed adjacent to the existing school which remained operational throughout the contract and the new school completed in February 2020. The Early Childhood Centre will support the 1 140 hours expansion of early learning and childcare and, along with the Primary School, provide state of the art teaching and learning facilities.

Phase 2 of the project involves demolition of the existing Primary School and creation of new external play areas scheduled for completion in August 2020 although progress has been impacted by pandemic restrictions.

Loanhead Primary School and Early Childhood Centre



In September 2019 work commenced on the refurbishment and extension of Loanhead Primary School to provide upgraded facilities including, a new dining area along with a new Early Childhood Centre which will support the 1140 hours expansion of early learning and childcare. The project will restore the existing historic building to improve accessibility and provide state of the art learning and teaching facilities and create improved child friendly external play areas.

The Loanhead project has an overall Council investment of £5.400m. To facilitate the works Loanhead Primary were decanted to temporary facilities at the former Kirkstyle Primary School allowing the contractor complete access for the works at Loanhead. This project was due for completion in July 2020 but has been impacted by pandemic restrictions.

The Barony Campus



This campus is the biggest capital investment project we have ever undertaken with an estimated total cost £68m. Situated on a 19.8 hectare site adjacent to Dumfries Estate which lies between Cumnock and Auchinleck, the campus consolidates 5 schools into one campus; delivering state-of-the-art facilities for Cumnock, Auchinleck and the surrounding area. It has been designed with reference to the most modern facilities across the UK and Europe; incorporating a mix of traditional and innovative learning experiences which exemplifies our ambition to provide the very best educational experience possible. The facilities also include a performance auditorium and drama space with seating for approximately 530, Scotland's first interactive and immersive classroom, a sustainable biomass boiler system, the largest indoor school sports facility in the West of Scotland, two full sized floodlit multi-use synthetic pitches (one at World Rugby standard), a 400m all-weather running track, two full sized grass pitches, a 7 aside floodlit synthetic pitch and an outdoor basketball court.

Construction works began on-site in May 2018 and the campus was to be operational from August 2020 but has been impacted by pandemic restrictions.

SHIP New Build Housing Programme



During 2019/20 we continued our programme of quality new build housing for families within East Ayrshire, with the development of 58 houses at Tinto Avenue in Kilmarnock, on the site of the former Bellfield Primary School, completed in November 2019. September 2019 saw the completion of 16 houses at Carnshalloch Avenue in Patna along with a development of 14 units providing state of the art assisted living facilities at Andrew Nisbett Place in Hurlford. More recently, in February 2020, a development of 32 units was completed at David Dale Avenue in Stewarton. February 2020 also saw the commencement of works at Fraser Walk in Kilmarnock, a project that will provide 42 houses.

All projects are being delivered through the Scottish Procurement Alliance with local communities benefitting from Community Benefits funds.

Our investment in these projects, supported by Scottish Government's More Homes Scotland initiative and the Affordable Housing Supply Programme will be:

- *Andrew Nisbett Place, Hurlford* £3.640m
- *Tinto Avenue, Kilmarnock* £13.120m
- *Carnshalloch Avenue, Patna* £4.370m
- *David Dale Avenue, Stewarton* £6.990m
- *Fraser Walk, Kilmarnock-* £9.300m

Moorfield Industrial Units



Phase 3 of our ambitious economic regeneration initiative at Moorfield Park, Kilmarnock commenced in October 2017 with the construction of 2 speculative industrial units. The development led from Phase 1 which created infrastructure and serviced plots for the estate and Phase 2 construction of a unit which was occupied on completion by a local company. Phase 3 provided 4,900m² of industrial space with both units being occupied immediately upon completion in June 2018 and February 2019. Investment in this project was £4.400m.

In addition to proposals being developed to expand the estate further north Phase 4 of construction works commenced on site in February 2020 to provide 2 further speculative units with a total investment of over £5m programmed to be completed in September 2020 but has been impacted by pandemic restrictions.

Treasury Management and Investment

Treasury Management is the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. The Council's [annual strategy on Treasury Management](#) was approved by the Council on 5 March 2020.

The borrowing strategy aims to minimise the revenue cost of debt whilst protecting the Council from revenue pressures in the event of interest rate volatility. The prime objective of the Council's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business. A secondary objective, within these constraints, is to maximise returns.

The Treasury Management Strategy aims to protect the Council from market-related risks by monitoring interest rates, economic indicators, and UK and overseas government finances. Professional advisers are employed who use range of information sources to inform economic analysis and forecasts. The Strategy also sets out the Council's expectation for interest rates and highlights the uncertainties and risks in the forecast.

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, ensuring adequate liquidity prior to consideration of investment return. Concurrent to this, longer term cash flow planning to ensure the Council can meet its capital spending operations is considered throughout the year. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Investment activity during the year included gross transactions totalling £3.060 billion, with 602 individual transactions with an average value of £5.084 million. The Council took advantage of historically low interest rates to borrow £100 million during the year. This level of borrowing was within the estimates set out in the Treasury Management Strategy for 2019/20. New loans taken were split between long term fixed rate debt of £65 million with an average interest rate of 1.71% and maturity ranging from 9 years up to 48 years and £35 million with a maturity of less than 1 year at an average rate of 1.09%. This allowed the Council to lock into the historically low long term rates whilst also taking advantage of the savings offered from the shorter range borrowing.

Risks and Uncertainties

The Council's Executive Management Team (EMT) recognise the importance of a formal system of risk management and the evaluation of key corporate and strategic risks. EMT regularly reviews and assesses the corporate risk register which details the high level strategic risks, their importance and the required action measures.

The register is updated based on the assessment of the overall risks identified by services as those which are viewed as being significant enough to be placed on the register. The key risks include:

Economic Climate- continued reductions in grant funding and the effect upon our resources and communities, including the unprecedented impact of the pandemic on income levels across our services;

Environmental Climate- the implications of our decisions on our carbon footprint and our resilience arrangements to deal with extreme events related to adverse weather;

Pandemic- recognition of the social, economic and health harms caused by the virus and the measures required to contain it and the impact on our workforce, communities and local economy.

Financial- the UK's withdrawal from the European Union and the implications of a no-deal withdrawal.

The actions taken to minimise or mitigate corporate risks are regularly reviewed and set out in the Corporate Risk Register which is regularly presented to Cabinet and Governance and Scrutiny Committee as part of East Ayrshire Performs. The most recent update is available [here](#)

Supplementary Information

Group Accounts

We have a material interest in a number of other organisations and are required to produce Group Accounts. These are presented alongside the single entry on the main statements.

Common Good, Trusts and Bequests

We administer four Common Good Funds for the former burghs of Cumnock, Darvel, Kilmarnock and Newmilns. Details of these can be found on page 84. We also administer three Trust Funds shown on page 85 which are registered charities. These are not funds available to the Council and are not included in our Accounts. Separate Annual Accounts for these are available [here](#)

OUR RESPONSE TO COVID-19

The Covid-19 pandemic has had a fundamental impact on the provision of our services, our resource deployment, our financial performance and resources available. Given the scale of the issues raised by Covid-19 this section of the management commentary focuses on the impact that it has had, and will continue to have on the Council.

Like every other local authority, the Council entered the lockdown phase of the Covid-19 mitigation by closing schools and offices and suspending, on a temporary basis, some of the services delivered in order to safeguard our employees and our communities. At the same time our Resilience Room was stood up and our business continuity plans activated so that, as a council, we could continue to deliver critical services, looking after those who were in need of support, food and accommodation and ensuring assistance for the most vulnerable.

In order to guarantee that we could respond quickly and efficiently the Council approved the activation of emergency powers arrangements, suspending Cabinet and the Governance and Scrutiny Committee and creating the Executive Committee of Elected Members to facilitate fast and focussed decision making.

In the weeks since lockdown we have maintained a waste collection service and are providing and delivering 7,000 food packages to families across East Ayrshire on a daily basis. We manage, monitor and support around 3,500 individuals who, because of underlying health conditions, have been asked by the Scottish Government to shield within their homes and our telephone customer services staff are in contact with this group to make sure that they have what they need for the weeks they are shielding.

The Health and Social Care Partnership has been at the forefront of support to individuals. Care at Home, District Nursing and East Ayrshire Community Hospital teams have continued to provide ongoing essential care and support within communities including for those of our residents who contracted Covid-19. Health and Social Care staff continued to work with partners to keep all services open and able to provide ongoing care and to protect people from harm. Whilst of necessity there had to be less routine face to face contact, colleagues have found ways to adapt and innovate, ensuring that vulnerable children, adults and families have had the contact and support they needed.

The Scottish Government announced that businesses in the hospitality, retail and leisure sector would receive full rates relief for 2020/21 and also introduced a range of business grants for these business types as well as for those businesses that were eligible for the Small Business Bonus Scheme. We were given a first instalment of £17.424m from the total of £21.800m allocation with the grants managed, processed and disbursed by the Council. Since the first application in April we have paid out over 1700 grants and have fully

utilised the initial instalment. In April we received a share of the £50m allocated by the Scottish Government to councils to recognise hardship as a result of Covid-19. The allocation to East Ayrshire was £1.139m and the Council decided that some of this should be made available to help our local voluntary organisations and businesses facing difficulties due to Covid-19. The Executive Committee determined that £0.500m should be delegated to the Interim Head of Housing and Communities to enable grants of up to £0.005m to be awarded to local groups and those working with us to provide support to those most impacted by the Covid-19 restrictions. A further £0.300m was delegated to the Interim Head of Finance and ICT to authorise grants of up to £0.003m to those businesses and organisations that, due to various reasons, were not eligible for any of the supports provided by both UK and Scottish Governments. We also received a further allocation of £0.838m from the Scottish Government's Food Fund which was created to provide food and meals to those worse effected by Covid-19 and the 7,000 daily meals we are providing are helping those in our communities who find themselves in a situation where they need practical support at this time.

The vast majority of our staff who are able to, are now working from home supported by our ICT service which has been remarkable in enabling around 3,000 staff to have access to their data and email to continue to provide vital services to our communities. We continue to support colleagues in all services who are self-isolating or shielding and we are grateful for the determination these staff have shown to continue to help and support the work of the Council. Our employees have risen to the challenge and have volunteered for alternative duties where their own work was stopped. We have seen for example roads workers help with waste collection, staff from across the Council help answer our customer services telephone lines, colleagues from accounting help determine Scottish Welfare Fund applications, and staff from schools and IT work on a rota basis to make face shields for the NHS and our home carers. The flexibility, innovation and kindness shown is humbling and amply illustrates the Council's FACE values.

In line with Scottish Government policy we have supported those businesses who would normally provide recurring services to the Council and the recent publication of Scottish Procurement Policy Note 5 (SPPN5) has enabled us to provide financial support, including to school transport providers, to ensure that they can continue to operate during and after the lockdown.

Councils continue to gather details around the additional costs and loss of income that have arisen due to the crisis. The relaxation of follow up and reminders for council tax and housing rents from April to June has seen collection rates drop and arrears rise. New costs are also being incurred for personal protective equipment, food and a whole range of other pressures. There has been a 300% rise in Council Tax Reduction awards as we see a dramatic rise in those individuals who are now in the DWP welfare system, around a 100% increase in Scottish Welfare Fund awards for those individuals and families in our communities who are now in financial crisis and an overall increase in those who need help and support from the Council. The 2020/21 budget will require to be reviewed and action identified to mitigate in year budget pressures to re-balance the budget. The need for self-isolation and work restrictions has meant that a significant element of our capital programme will also require to be reprofiled once we better understand when and how the construction industry can return.

Our cashflow is sound and the forward funding of business grants has avoided the need to borrow to pay these grants. We remain alert to recent comments around the national impact of Covid-19, the likelihood of a deep recession, a significant period of fiscal restraint and the potential for already low interest rates to fall further.

It is clear that the impact of Covid-19 will last well beyond the next few months and as such the need to resolve budget

issues, review and reshape financial plans and quantify the financial requirements of the Council's own recovery and renewal against the backdrop of these new national financial pressures will be an essential element of the work of Finance teams over the next few months.

The Annual Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The impact of the Covid-19 outbreak was considered by the CIPFA-LASAAC Code Board to determine whether any adjustments were required to the Code. The Board concluded that full application of the 2019/20 Code should apply. The Coronavirus (Scotland) Act 2020 includes provisions such that an authority may postpone the date of publishing the Annual Accounts beyond the statutory date of 30 June. It was decided to continue to work to the previously planned timetable in view of the need for capacity to manage and review the Council's finances in 2020/21 and beyond in response to the impact of pandemic.

More Information

Our website holds more information on our strategies, plans, policies and our performance and spending.

www.east-ayrshire.gov.uk

Councillor Douglas Reid
Leader of the Council
24 September 2020

Fiona Lees
Chief Executive
24 September 2020

Alex McPhee ACMA
*Depute Chief Executive and
Chief Financial Officer*
24 September 2020



EXPLANATORY AND ASSURANCE STATEMENTS

*Includes Statement of
Responsibilities & Annual
Governance Statement*



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 the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Depute Chief Executive & Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved by the Governance and Scrutiny Committee at its meeting on 24 September 2020.

Councillor Douglas Reid

Leader of the Council

24 September 2020

The Chief Financial Officer's Responsibilities

The Depute Chief Executive & Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Depute Chief Executive & Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Depute Chief Executive & Chief Financial Officer has also:

- Kept adequate accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the local authority for the year ended 31 March 2020.

Alexander McPhee ACMA

Depute Chief Executive & Chief Financial Officer

24 September 2020

ANNUAL GOVERNANCE STATEMENT

This Statement has been informed by a briefing paper issued on 7 April 2020 by the CIPFA Better Governance Forum, "The Annual Governance Statement for 2019/20. Matters to consider as a result of the coronavirus pandemic".

In reviewing the Local Code of Corporate Governance and related action plans, it is important to note the effects of the Covid-19 Pandemic on Council operations. Since restrictions on movement were introduced by the UK and Scottish Governments in March 2020, the Council has been working tirelessly to maintain essential services for our communities, with a specific emphasis on the most vulnerable in our society.

The essential services being prioritised include, but are not limited to:

- *Home Care Services;*
- *Children and Young Peoples Services;*
- *Education for the children of key workers and vulnerable children;*
- *Continued provision of free school meals and community food distribution;*
- *Waste Management Services (refuse collection and street cleaning);*
- *Outdoor Services (burial services);*
- *Registration Services;*
- *Housing Services;*
- *Housing Repairs;*
- *Customer Services and call-handling;*
- *Support for Businesses; and*
- *Support for Community Resilience.*

At the time of preparing this Statement, the Council is unable to predict when and how we will emerge from the Covid-19 Pandemic. However we have commenced work to consider the next stages when some of the restrictions that are currently in place begin to be lifted. The renewal of the Council, working with our communities and partners, will be the subject of separate reports to members in due course.

The review of the Local Code of Corporate Governance and related action plans has been produced with the Covid-19 Pandemic and recovery at the forefront of our minds. The Corporate Governance Improvement Action Plan for 2020/21 on page 30 sets out the Council's aspirations for the coming year; delivery of these actions will be dependent upon the length and severity of the Pandemic. We will however, as always, aspire to complete fully the actions contained within the plan.

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 strategic priorities and outcomes; ensuring that services are delivered cost-effectively; maintaining appropriate arrangements for the management of risk; and ensuring that the statutory role of the Chief Financial Officer is recognised and accepted.

To this end, the Council has adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) 2016 Framework Delivering Good Governance in Local Government and the supporting Guidance Notes for Scottish Authorities. The update on the 2019/20 Corporate Governance Improvement Action Plan and the 2020/21 Action

Plan can be downloaded [here](#). Progress against our Improvement Action Plans evidences our commitment to achieving good governance and demonstrates how we comply with the governance standards recommended by CIPFA/SOLACE.

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 our 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 2015-2030 East Ayrshire Community Plan, which we have adopted as our 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 and continues to be reviewed.

The Governance Framework

The East Ayrshire Community Plan 2015-30 came into effect on 1 April 2015 and is the sovereign and overarching planning document for East Ayrshire providing the strategic policy framework for delivering public services by all partners and is also the Council's Corporate Plan covering the 15 years from 2015 to 2030. It is implemented through three thematic Delivery Plans: Economy and Skills, Safer Communities and Wellbeing, along with the work carried out by our services.

The first three-year review of the Community Plan and the thematic Delivery Plans was completed in 2017/18 with new three-year Delivery Plans in place from 1 April 2018, covering the period 2018-2021.

The Community Plan is underpinned by the Local Outcomes Improvement Plan which provides a robust performance management framework and demonstrates a sound understanding of place and local circumstances. This understanding has informed development of our local priorities which have been identified in consultation with our communities, Partners and a wide range of key stakeholders; and we remain, as a partnership, committed to resourcing jointly the delivery of improved outcomes to realise our shared vision for East Ayrshire.

The Community Planning Partnership Board is supported by robust governance arrangements and a fifth formal joint engagement event between the Council and CPP Board was held on 19 September 2019 to consider the Local Outcome Improvement Plan, Annual Performance Report, and the Integrated Health and Social Care Partnership Annual Report and the Wellbeing Delivery Plan Annual Performance Report 2018/19.

The Council's Transformation Strategy was approved by Elected Members in February 2018 and is designed to ensure that our services remain financially sustainable in the current economic climate. The Strategy identifies 6 key workstreams and detailed actions in support of these high-level themes are in place with progress reported regularly to Cabinet.

The challenging financial environment in which we are currently operating has required a comprehensive response to deliver the level of efficiencies required. The effective management of our 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. The recent spending review has resulted in a further reduction in funding available but the Transformation Strategy has proved sufficiently robust to ensure that we have been able to set a balanced budget for 2020/21. This is being closely monitored in light of Covid-19 expenditure and reported to elected members in year.

Policy and decision making is conducted through the Council's decision-making structure, which includes the Cabinet and 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. The Governance and Scrutiny Committee undertakes the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police (2013) report by providing an independent and high-level resource to support good governance and strong public financial management within the Council. This includes the satisfaction that the Council's assurance statements are an accurate reflection of the current position, the internal audit function is effective and supported by committee and that risk management arrangements are considered effective.

The Governance and Scrutiny Committee considers the reports and recommendations of external audit and inspection agencies and their implications for governance, and risk management or control, and supports effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourages the active promotion of the value of the audit process and review the annual accounts. The Committee considers the external auditor's opinion and reports to members, and monitors management action in response to the issues raised by external audit. These arrangements ensure that the Council has processes and procedures in place to ensure that it fulfils its overall purpose, achieves its intended outcomes for service users and operates in an economical, effective, efficient and ethical manner, as prescribed in the CIPFA Audit Committees: Practical Guidance document.

In response to the restrictions on movement resulting from the Covid-19 Pandemic, an Executive Committee was established in April 2020 to replace the existing decision-making structures up to the end of June 2020 to ensure continued management of Council business.

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 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;*
- *Performance relating to the Leisure Trust, Ayrshire Roads Alliance and Health and Social Care Partnership; and*
- *Formal project management disciplines, as appropriate.*

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

Consensus working across political groups is supported by the Council's Sounding Board, established as part of our decision-making structures to provide a forum for collective consideration and scrutiny of cross-cutting issues by Group Leaders prior to presentation to Cabinet and/or Council.

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 Council Management Team and Elected Members. The Corporate Risk Register is presented to Cabinet and the Governance and Scrutiny Committee as part of the East Ayrshire Performs reporting framework. The Council's business continuity strategy has been cascaded down through the organisation with each department and service holding individual business continuity plans.

We have a Whistleblowing Policy and Codes of Conduct for employees and Elected Members, and high standards of behaviour are supported by employee contracts of employment and annual FACE reviews, which identify individual training and development requirements. An Elected Member Learning and Development Strategy is well established and Job Outlines for Elected Members, including Members of the Governance and Scrutiny and Police and Fire and Rescue 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.

Service Improvement Plans for all Council Services are in place and annual progress updates relating to the Action Plans are presented to Cabinet. New three-year Service Improvement Plans were developed in 2018/19 to reflect the updated Community Plan, Local Outcome Improvement Plan and the Transformation Strategy. These provide the link between service priorities and the Transformation Strategy, Community Plan and our shared 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 response to the Covid-19 Pandemic and the UK withdrawal from the EU has been driven by the Council's Business Continuity arrangements that were strengthened in the course of 2019/20. The Civil Contingencies Act (2004) places a number of duties on the Council for the preparation and maintenance of plans to ensure the continuity of our services during emergency situations. The review of our Business Continuity Plans that was undertaken and completed in 2019/20, has strengthened our Resilience Framework and ensures that we continue to provide the required level of co-ordination and consistency.

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

We have a strong and embedded process of self-assessment in place. Our comprehensive approach to self-evaluation is evidence based and comprises the Council-wide Strategic Self-Assessment of performance undertaken by the Council Management Team supported by an external critical friend, the aim of which is to ensure that we continue to remain well placed to respond to and meet the requirements of Best Value.

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 Chief Governance Officer, and Solicitor to the Council, acts as Monitoring Officer and ensures that the Council acts within legal and statutory requirements.

The Depute Chief Executive and Chief Financial Officer (Economy and Skills) 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 Executive Management Team. This reflects best practice identified by Audit Scotland. Officer responsibilities are reflected in the Job Description for the Depute Chief Executive and Chief Financial Officer (Economy and Skills) and the Council's Financial Regulations, which confirm that the Depute Chief Executive and Chief Financial Officer (Economy and Skills) 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.

Our Scheme of Delegation designates the Head of Children's Health, Care and Justice Services as 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 social work services. As part of our response to legislative changes from the Public Bodies (Joint Working) (Scotland) Act 2014, the management of Social Work Services transferred to the Integration Joint Board from 1 April 2015.

The Local Authority Accounts (Scotland) 2014 Regulations effective from 10 October 2014 require a local authority to operate a professional and objective internal auditing service. The long standing internal audit arrangements within East Ayrshire Council fulfil this obligation. The internal audit service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards (PSIAS)

Review of Effectiveness

During 2019/20, we continued to put in place appropriate management and reporting arrangements to enable us to be satisfied that our approach to corporate governance is appropriate and effective in practice. Specifically, our governance arrangements have been reviewed and tested against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is coordinated corporately and approved by the Executive Management Team, 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 chief officer is required to make an annual statement confirming that this is the case.

The Council was the subject of detailed audit work under Audit Scotland's framework for auditing best value over December 2017 and January 2018. This audit activity, which was carried out jointly between Audit Scotland and the Council's external auditors, Deloitte, culminated in the production and publication of the Council's Best Value Assurance Report (BVAR) in May 2018. The findings of this report are followed up by external audit as part of their annual audit work.

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, governance and risk management. During 2019/20 the Internal Audit section operated in accordance with the Public Sector Internal Audit Standards which were introduced on 1 April 2013. External Audit subject the work of Internal Audit to annual review, Deloitte LLP, the Council's current external auditors reflect that review in their annual report with no issues arising to date noting in their most recent report to the Governance and Scrutiny Committee in September 2019 that the use of internal audit in East Ayrshire Council, particularly in relation to transformation, represents best practice.

PSIAS standard 1300 Quality Assurance and Improvement Programme (QAIP) requires the Chief Auditor to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The details of the PSIAS requirements and how we comply with these requirements is set out laid out in paragraphs 78-83 of the Internal Audit Charter available on the our website.

The PSIAS requires that the QAIP includes internal and external assessment (IQA and EQA) of Internal Audit's work and that the results of the QAIP are communicated to senior management and Committee in the annual report. This was presented to our Executive Committee at its meeting on 14 May 2020.

Internal Audit's overall opinion, based on the work carried out and in line with PSIAS requirements, is that reasonable assurance can continue to be placed upon the adequacy and effectiveness of our framework of governance, risk management and control in the year to 31 March 2020. The objectives of internal control have been substantially met. This is consistent with the opinion provided in previous years.

The Chief Auditor also notes the continuing positive engagement by services and senior management in working collaboratively to agree and implement actions with a culture of scrutiny and continuous improvement embedded in East Ayrshire Council.

This opinion was based on the work carried out prior to national and local arrangements put in place for Covid-19. These arrangements create challenges for the control environment where tried and tested controls may no longer be effective or appropriate. The Chief Auditor has advised the Executive Committee that, on the basis of the year on year work that is undertaken by Internal Audit, we are well placed to successfully overcome these challenges.

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 2019/20 highlighted those areas that could be further strengthened and these are contained within the Corporate Governance Improvement Action Plan timetabled for 2020/21:

Action Required	Strategic Lead
Principle 2: Ensuring openness and comprehensive stakeholder engagement	
1. Transformation: Continue to ensure the delivery of the Council's Transformation Strategy and related work streams as agreed by Cabinet on 4 March 2020.	Executive Management Team (EMT) / Head of Transformation
2. Management Review / Chief Officers: Complete the strategic management review of the Council at Chief Officer Level.	EMT/ Interim Head of Human Resources
3. Workforce Planning: Undertake a pay and grading review as agreed by Cabinet 11 March 2020.	EMT / Head of Transformation / Interim Head of Human Resources
4. Service Improvement Plan: Prepare and seek Cabinet approval for Service Improvement Plans 2021 - 2024.	Council Management Team (CMT)/ Strategy and Performance Manager
Principle 4: Determining interventions necessary to optimise achievement of intended outcomes.	
5. Ayrshire Growth Deal: Complete the development of the Ayrshire Growth Deal and implement the Programme Management Office to ensure the effective monitoring, progress, financing and reporting to the Economic Joint Committee and the Regional Partnership.	Depute Chief Executive (Economy & Skills) / Head of Ayrshire Growth Deal
Principle 5: Determining entity's capacity, including capability of leadership and individuals in it.	
6. Flexible, Approachable, Caring, Empowered (FACE): Continue to ensure the FACE vision is considered and embedded in all Council activities.	CMT / Head of Transformation
Principle 6 – Managing risks and performance through robust internal control and strong public financial management.	
7. COVID19: Develop and implement the Covid-19 renewal plans to ensure that service provision is fully reinstated whilst mitigating the associated corporate and service risks.	CMT / Head of Transformation
8. EU Withdrawal: Continue to respond to any emerging requirements for service delivery in the context of the UK's withdrawal from the EU, ensuring that any corporate or Service risks are identified and mitigated.	Depute Chief Executive (Safer Communities)
9. East Ayrshire Integration Joint Board, Annual Audit Report 2018/19: Implement the recommendations contained within the annual audit report action plan agreed with Audit Scotland.	Director - Health and Social Care
Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability	
10. Equalities: Implement the key actions set out in the 2019/21 Equalities Mainstreaming Report	Strategy and Performance Manager
11. Strategic Self - Assessment: Undertake the Council's Fifth Strategic Self - Assessment.	CMT / Strategy and Performance Manager
12. Community Planning – Conclude the three yearly strategic review of the Community Plan, including the development of new three year delivery plans and strategic priorities.	Strategy and Performance Manager

Note: Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.

Principle 3: Defining outcomes in terms of sustainable economic, social and environmental benefits

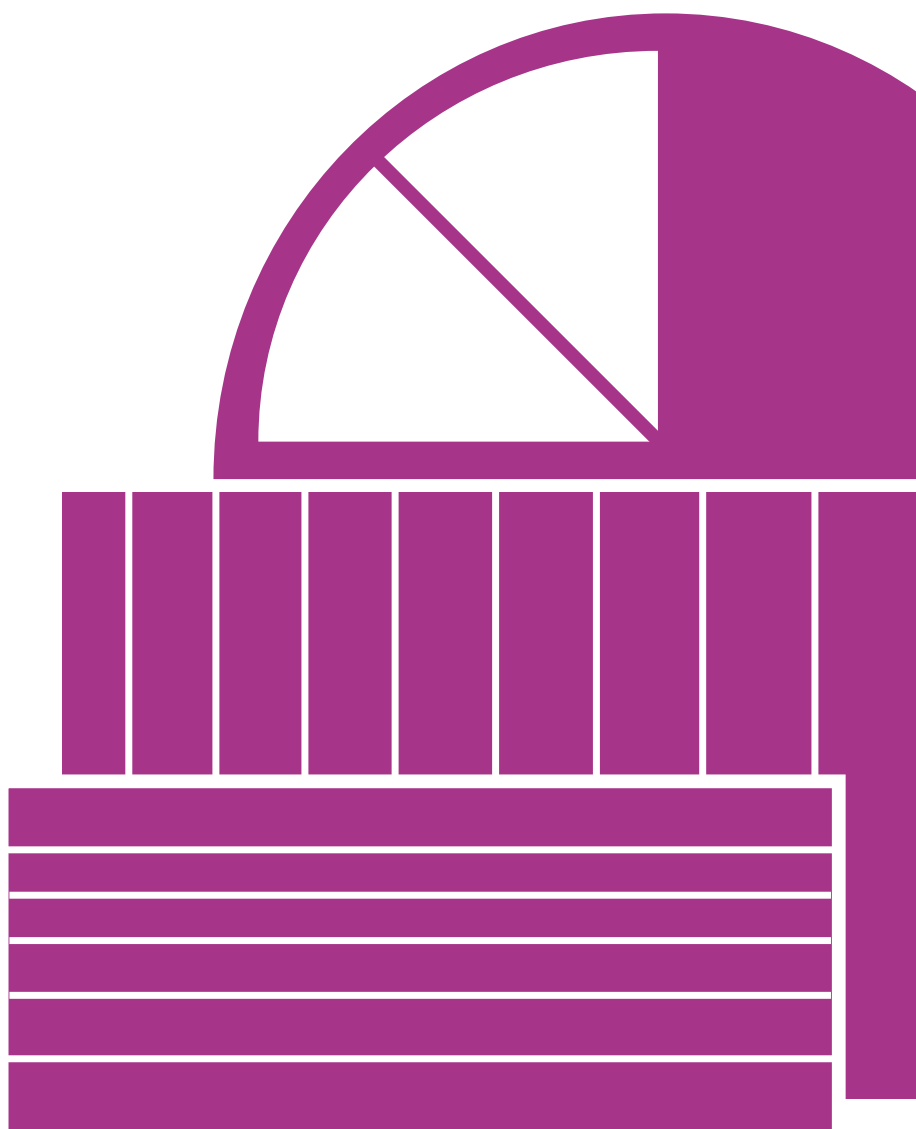
Conclusion

We consider the governance and internal control environment operating during 2019/20 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 in the 2020/21 Improvement Action Plan. Progress on implementing the Action Plan will be reported to the Governance and Scrutiny Committee in 2021 in accordance with our established arrangements.

Systems are in place for regular review and improvement of the governance and internal control environment. We will continue to review our corporate governance arrangements and take any additional steps 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* 24 September 2020

Fiona Lees *Chief Executive* 24 September 2020



PRINCIPAL FINANCIAL STATEMENTS FOR THE COUNCIL AND ITS GROUP



EXPENDITURE AND FUNDING ANALYSIS

The EFA shows how our funding from government grants, rents, council tax and business rates has been allocated for decision making purposes and used in providing services, alongside the resources we consumed in accordance with and applying generally accepted accounting practices. The CIES on page 37 presents more fully the income and expenditure under generally accepted accounting practices.

2018/19				2019/20		
EAC				EAC		
Net Expenditure chargeable to the General Fund & HRA Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES		Net Expenditure chargeable to the General Fund & HRA Balances	Adjustments between the Funding & Accounting Basis	Net Expenditure in the CIES
£m	£m	£m	£m	£m	£m	
			Operating		<i>see EFA Note</i>	
90.356	16.621	106.977	Education	99.087	63.576	162.663
7.818	2.376	10.194	Finance and ICT	8.028	2.514	10.542
4.198	8.267	12.465	Planning and Economic Development	4.924	1.703	6.627
1.685	0.254	1.939	Economy and Skills Other Segments	2.266	0.307	2.573
15.867	5.319	21.186	Housing and Communities	16.086	2.704	18.790
7.646	8.373	16.019	Ayrshire Roads Alliance	6.339	8.867	15.206
26.329	(5.690)	20.639	Facilities and Property Management	25.700	(4.524)	21.176
1.846	0.299	2.145	Human Resources	1.899	0.360	2.259
9.433	0.045	9.478	Transport (incl SPT)	7.247	0.037	7.284
4.883	2.962	7.845	Arms Length Organisations	4.933	1.761	6.694
0.734	0.108	0.842	Safer Communities Other Segments	0.596	0.127	0.723
(4.059)	6.451	2.392	Social Work: Provision of Services	(4.181)	7.923	3.742
77.809	-	77.809	Contribution to the IJB	80.774	-	80.774
2.765	0.679	3.444	Governance	2.981	0.696	3.677
0.629	0.078	0.707	Chief Executive Office (incl Internal Audit)	0.644	0.097	0.741
6.094	11.676	17.770	Central Services	5.874	(6.580)	(0.706)
1.526	-	1.526	Projects	0.043	-	0.043
(0.911)	20.807	19.896	Housing Revenue Account	0.050	20.567	20.617
254.648	78.625	333.273	Net Cost Of Services	263.290	100.135	363.425
(253.132)	(13.798)	(266.930)	Other Income and Expenditure	(262.655)	(11.294)	(273.949)
1.516	64.827	66.343	Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES	0.635	88.841	89.476

		General Fund	HRA	Total
52.884	Opening Combined General Fund and HRA Balances	36.619	13.960	50.579
(1.516)	Surplus or Deficit on the General Fund and HRA Balances for the Year	(0.585)	(0.050)	(0.635)
(0.789)	Transfers to/ from Other Reserves	0.058	-	0.058
50.579	Closing Combined General Fund and HRA Balances	36.092	13.910	50.002

NOTE TO THE EFA

2018/19				Adjustments between Funding and Accounting Basis	2019/20			
EAC					EAC			
Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis		Adjustments for Capital Purposes	Net change for Pensions Adjustments	Adjustments for Other Items	Adjustments between the Funding & Accounting Basis
£m	£m	£m	£m	£m	£m	£m	£m	
12.396	3.362	0.863	16.621	Education	57.939	5.067	0.570	63.576
1.111	1.257	0.008	2.376	Finance and ICT	0.961	1.544	0.009	2.514
7.451	0.791	0.025	8.267	Planning and Economic Development	0.752	0.925	0.026	1.703
-	0.254	-	0.254	Economy and Skills Other Segments	(0.033)	0.340	-	0.307
3.727	1.558	0.034	5.319	Housing and Communities	0.725	1.943	0.036	2.704
7.247	1.095	0.031	8.373	Ayrshire Roads Alliance	7.518	1.317	0.032	8.867
(7.279)	1.588	0.001	(5.690)	Facilities and Property Management	(6.602)	2.077	0.001	(4.524)
0.004	0.295	-	0.299	Human Resources	0.001	0.359	-	0.360
(0.108)	0.153	-	0.045	Transport (incl SPT)	(0.127)	0.164	-	0.037
2.962	-	-	2.962	Arms Length Organisations	1.761	-	-	1.761
-	0.100	0.008	0.108	Safer Communities Other Segments	-	0.118	0.009	0.127
0.663	5.629	0.159	6.451	Social Work: Provision of Services	0.630	7.123	0.170	7.923
-	-	-	-	Contribution to the IJB	-	-	-	-
0.056	0.619	0.004	0.679	Governance	(0.074)	0.765	0.005	0.696
-	0.078	-	0.078	Chief Executive Office (incl Internal Audit)	-	0.097	-	0.097
(0.001)	9.752	1.925	11.676	Central Services	-	(6.785)	0.205	(6.580)
-	-	-	-	Projects	-	-	-	-
19.562	3.121	(1.876)	20.807	Housing Revenue Account	18.731	1.986	(0.150)	20.567
47.791	29.652	1.182	78.625	Net Cost Of Services	82.182	17.040	0.913	100.135
(13.343)	0.001	(0.456)	(13.798)	Other Income and Expenditure	(15.997)	5.165	(0.462)	(11.294)
34.448	29.653	0.726	64.827	Difference between the Statutory Charge to the Combined General Fund and HRA Balance compared to the Surplus or Deficit in the CIES	66.185	22.205	0.451	88.841

MOVEMENT IN RESERVES STATEMENT

The movements in our reserves are shown below analysed by Usable and Unusable. In-year movements are broken down between gains and losses incurred in accordance with generally accepted accounting practices and statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The 'Net Increase/Decrease' line shows the statutory General Fund and HRA Balance movements in the year following those adjustments.

2019/20	Note	Usable Reserves					Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Grants Unapplied	Capital Fund		Unrealised Gains/Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m		£m	£m				
Balance as at 31 March 2019		36.619	13.960	3.386	3.513	14.201	71.679	288.276	(59.417)	300.538	6.374	20.735	327.647
Surplus/ (Deficit) on the Provision of Services	CIES	(64.967)	(24.509)	-	-	-	(89.476)	-	-	(89.476)	3.789	-	(85.687)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	(18.577)	97.290	78.713	-	1.452	80.165
Total Comprehensive Income and Expenditure		(64.967)	(24.509)	-	-	-	(89.476)	(18.577)	97.290	(10.763)	3.789	1.452	(5.522)
Adjustments between Accounting Basis and Funding Basis Under Statute													
Current and Past Service Pension Costs in Cost of Services	8	35.322	3.935	-	-	-	39.257	-	(39.257)	-	-	-	-
Net Interest on Net Defined Pension Liability	8	4.647	0.518	-	-	-	5.165	-	(5.165)	-	-	-	-
Employers Contributions to Pensions Fund	8	(20.269)	(1.948)	-	-	-	(22.217)	-	22.217	-	-	-	-
Adjustments Relating to Pensions		19.700	2.505	-	-	-	22.205	-	(22.205)	-	-	-	-
Depreciation of Non Current Assets	14	22.977	11.002	-	-	-	33.979	(8.169)	(25.810)	-	0.273	(0.273)	-
Impairment of Non Current Assets	12	51.404	23.736	-	-	-	75.140	-	(75.140)	-	-	-	-
Amortisation of Intangible Assets	15	0.096	-	-	-	-	0.096	-	(0.096)	-	-	-	-
Capital Grants and Contributions Applied	5	(19.383)	(4.304)	-	(0.012)	-	(23.699)	-	23.699	-	-	-	-
Capital Grants and Contributions Unapplied		-	-	-	-	-	-	-	-	-	-	-	-
Repayment of Debt	10	(10.699)	(3.007)	-	-	-	(13.706)	-	13.706	-	-	-	-
Capital Expenditure Funded in Year	10	(0.077)	(8.463)	-	-	-	(8.540)	-	8.540	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(0.283)	(0.283)	-	0.283	-	-	-	-
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.163)	3.066	-	-	0.733	3.636	-	(3.636)	-	-	-	-
Adjustments Relating to Capital		44.155	22.030	-	(0.012)	0.450	66.623	(8.169)	(58.454)	-	0.273	(0.273)	-
Differences relating to Officer Remuneration required by statute		0.858	0.055	-	-	-	0.913	-	(0.913)	-	-	-	-
Differences relating to Financial Instruments required by statute	25	(0.331)	(0.131)	-	-	-	(0.462)	-	0.462	-	-	-	-
Adjustments for Other Items		0.527	(0.076)	-	-	-	0.451	-	(0.451)	-	-	-	-
Net Increase/ (Decrease) before Transfers		(0.585)	(0.050)	-	(0.012)	0.450	(0.197)	(26.746)	16.180	(10.763)	4.062	1.179	(5.522)
Transfers to/ from Capital Fund		(0.140)	-	-	-	0.140	-	-	-	-	-	-	-
Transfers to/ from Other Statutory Reserves		0.286	-	(0.286)	-	-	-	-	-	-	(0.915)	0.915	-
Interest on Revenue Balances		(0.088)	-	0.017	-	0.071	-	-	-	-	-	-	-
Increase/ (Decrease) in 2019/20		(0.527)	(0.050)	(0.269)	(0.012)	0.661	(0.197)	(26.746)	16.180	(10.763)	3.147	2.094	(5.522)
Balance as at 31 March 2020		36.092	13.910	3.117	3.501	14.862	71.482	261.530	(43.237)	289.775	9.521	22.829	322.125

MOVEMENT IN RESERVES STATEMENT

2018/19	Note	Usable Reserves					Total Usable Reserves	Unusable Reserves		Total Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
		General Fund Balance	HRA	Renewal and Repairs	Capital Grants Unapplied	Capital Fund		Unrealised Gains/ Losses	Statutory Adj Accounts				
		£m	£m	£m	£m	£m		£m	£m				
Balance as at 31 March 2018		39.835	13.049	3.898	0.058	12.262	69.102	355.895	52.811	477.808	7.501	20.191	505.500
Surplus/ (Deficit) on the Provision of Services	CIES	(42.989)	(26.740)	-	-	-	(69.729)	-	-	(69.729)	0.642	-	(69.087)
Other Comprehensive Income and Expenditure	CIES	-	-	-	-	-	-	(53.871)	(53.670)	(107.541)	-	(1.225)	(108.766)
Total Comprehensive Income and Expenditure		(42.989)	(26.740)	-	-	-	(69.729)	(53.871)	(53.670)	(177.270)	0.642	(1.225)	(177.853)
Adjustments between Accounting Basis and Funding Basis Under Statute													
Current and Past Service Pension Costs in Cost of Services	8	45.384	4.835	-	-	-	50.219	-	(50.219)	-	-	-	-
Net Interest on Net Defined Pension Liability	8	3.060	0.326	-	-	-	3.386	-	(3.386)	-	-	-	-
Employers Contributions to Pensions Fund	8	(18.852)	(1.714)	-	-	-	(20.566)	-	20.566	-	-	-	-
Adjustments Relating to Pensions		29.592	3.447	-	-	-	33.039	-	(33.039)	-	-	-	-
Depreciation of Non Current Assets	14	24.234	16.802	-	-	-	41.036	(13.748)	(27.288)	-	0.273	(0.273)	-
Impairment of Non Current Assets	12	14.806	19.767	-	-	-	34.573	-	(34.573)	-	-	-	-
Amortisation of Intangible Assets	15	0.108	0.002	-	-	-	0.110	-	(0.110)	-	-	-	-
Capital Grants and Contributions Applied	5	(18.872)	(7.148)	-	-	-	(26.020)	-	26.020	-	-	-	-
Capital Grants and Contributions Unapplied		-	-	-	3.455	-	3.455	-	(3.455)	-	-	-	-
Repayment of Debt	10	(9.870)	(2.702)	-	-	-	(12.572)	-	12.572	-	-	-	-
Capital Expenditure Funded in Year	10	(0.221)	(10.097)	-	-	-	(10.318)	-	10.318	-	-	-	-
Use of HRA Capital Fund to Finance New Capital Expenditure		-	-	-	-	(0.457)	(0.457)	-	0.457	-	-	-	-
Net Gain/ (Loss) on Disposal of Assets	CIES	(0.018)	7.657	-	-	1.095	8.734	-	(8.734)	-	-	-	-
Adjustments Relating to Capital		10.167	24.281	-	3.455	0.638	38.541	(13.748)	(24.793)	-	0.273	(0.273)	-
Differences relating to Officer Remuneration required by statute		1.133	0.049	-	-	-	1.182	-	(1.182)	-	-	-	-
Differences relating to Financial Instruments required by statute	25	(0.330)	(0.126)	-	-	-	(0.456)	-	0.456	-	-	-	-
Adjustments for Other Items		0.803	(0.077)	-	-	-	0.726	-	(0.726)	-	-	-	-
Net Increase/ (Decrease) before Transfers		(2.427)	0.911	-	3.455	0.638	2.577	(67.619)	(112.228)	(177.270)	0.915	(1.498)	(177.853)
Transfers to/ from Capital Fund		(1.250)	-	-	-	1.250	-	-	-	-	-	-	-
Transfers to/ from Other Statutory Reserves		0.529	-	(0.529)	-	-	-	-	-	-	(2.042)	2.042	-
Interest on Revenue Balances		(0.068)	-	0.017	-	0.051	-	-	-	-	-	-	-
Increase/ (Decrease) in 2018/19		(3.216)	0.911	(0.512)	3.455	1.939	2.577	(67.619)	(112.228)	(177.270)	(1.127)	0.544	(177.853)
Balance as at 31 March 2019		36.619	13.960	3.386	3.513	14.201	71.679	288.276	(59.417)	300.538	6.374	20.735	327.647

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The CIES shows the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). We raise taxation (and rents) to cover expenditure in accordance with statutory requirements and this may be different from the accounting cost. The taxation position is shown in both the EFA and the MiRS.

2018/19				2019/20			
EAC			Group	EAC			Group
£m Exp	£m Income	£m Net	£m Net	£m Exp	£m Income	£m Net	£m Net
118.559	(11.582)	106.977	106.977	179.539	(16.876)	162.663	162.663
11.597	(1.403)	10.194	10.194	11.633	(1.091)	10.542	10.542
16.595	(4.130)	12.465	12.465	10.111	(3.484)	6.627	6.627
1.939	-	1.939	1.939	2.704	(0.131)	2.573	2.573
26.769	(5.583)	21.186	21.186	24.158	(5.368)	18.790	18.790
28.386	(12.367)	16.019	16.019	27.954	(12.748)	15.206	15.206
30.472	(9.833)	20.639	20.639	33.416	(12.240)	21.176	21.176
2.222	(0.077)	2.145	2.145	2.340	(0.081)	2.259	2.259
9.793	(0.315)	9.478	9.478	7.667	(0.383)	7.284	7.284
7.896	(0.051)	7.845	7.845	6.747	(0.053)	6.694	6.694
0.847	(0.005)	0.842	1.115	0.788	(0.065)	0.723	0.996
109.512	(107.120)	2.392	2.392	114.368	(110.626)	3.742	3.742
77.809	-	77.809	77.809	80.774	-	80.774	80.774
4.878	(1.434)	3.444	3.444	5.143	(1.466)	3.677	3.677
0.713	(0.006)	0.707	0.707	0.745	(0.004)	0.741	0.741
52.588	(34.818)	17.770	17.770	32.295	(33.001)	(0.706)	(0.706)
4.501	(2.975)	1.526	1.526	3.981	(3.938)	0.043	0.043
64.727	(44.831)	19.896	19.896	65.767	(45.150)	20.617	20.617
569.803	(236.530)	333.273	333.546	610.130	(246.705)	363.425	363.698
		7.639	7.639			2.903	2.903
		340.912	341.185			366.328	366.601
		(48.003)	(48.003)			(50.321)	(50.321)
		(195.355)	(195.355)			(202.352)	(202.352)
		(26.073)	(26.073)			(27.360)	(27.360)
		(26.020)	(26.020)		Note 5	(23.687)	(23.687)
		(295.451)	(295.451)			(303.720)	(303.720)
		45.461	45.734			62.608	62.881
		3.386	3.386		Note 8	5.165	5.165
		-	(0.913)			-	(4.060)
		(0.563)	(0.565)		Note 25	(0.563)	(0.565)
		21.445	21.445			22.266	22.266
		69.729	69.087			89.476	85.687
		53.871	53.898			18.577	21.153
		53.670	53.670		Note 8	(97.290)	(97.290)
		-	1.198			-	(4.028)
		177.270	177.853			10.763	5.522

BALANCE SHEET

This is a snapshot at 31 March 2020 of the value of assets and liabilities we hold, matched by our reserves shown as Usable (those we can use to provide services subject to the need to maintain a prudent level and any statutory limitations on their use) and Unusable (those we cannot use to provide services).

31 March 2019				31 March 2020	
EAC	Group			EAC	Group
£m	£m			£m	£m
879.593	887.946	Property, Plant & Equipment	Note 14	851.477	856.981
65.256	65.256	Heritage Assets	Note 18	65.256	65.256
0.366	0.366	Intangible Assets	Note 15	0.665	0.665
-	18.937	Investments in Associates and Joint Ventures	Note 35	-	26.463
0.412	0.412	Non Current Receivables (Long Term Investments)	Note 25	0.406	0.406
945.627	972.917	Non Current Assets		917.804	949.771
9.010	9.391	Short Term Investments	Note 25	0.030	0.413
1.545	1.545	Inventories	Note 19	1.480	1.480
26.513	26.513	Debtors	Note 20	31.474	31.474
0.201	0.201	Assets Held for Sale	Note 17	0.224	0.224
14.184	14.184	Cash and Cash Equivalents	Note 22	22.466	22.466
0.243	0.243	Current Intangible Assets	Note 15	-	-
51.696	52.077	Current Assets		55.674	56.057
(38.093)	(38.093)	Short Term Borrowing		(50.974)	(50.974)
(65.685)	(65.685)	Creditors (Including Provisions and Grants Receipts in Advance)	Note 21	(59.882)	(59.882)
(103.778)	(103.778)	Current Liabilities		(110.856)	(110.856)
(204.262)	(204.262)	Pension Liabilities	Note 8	(129.177)	(129.177)
(95.308)	(95.308)	Other Long Term Liabilities	Note 25	(92.263)	(92.263)
(293.437)	(293.437)	Long Term Borrowing	Note 25	(351.407)	(351.407)
-	(0.562)	Liabilities in Associates and Joint Ventures	Note 35	-	-
(593.007)	(593.569)	Non Current Liabilities		(572.847)	(572.847)
300.538	327.647	Net Assets		289.775	322.125
71.679	71.679	Usable Reserves (Available to Fund Services)	MIRS	71.482	71.482
-	6.374	Share of Usable Reserves of Associates and Joint Ventures		-	9.521
(59.417)	(59.417)	Unusable Statutory Adjustments Accounts	Note 28	(43.237)	(43.237)
288.276	288.276	Unusable Reserves (Unrealised and Deferred Impact on Taxation)	Note 28	261.530	261.530
-	20.735	Share of Unusable Reserves of Associates and Joint Ventures		-	22.829
300.538	327.647	Net Reserves		289.775	322.125

Authorised for Issue

The unaudited accounts were authorised for issue by the Council on 25 June 2020 and the audited accounts were authorised for issue on 24 September 2020.

Alexander McPhee ACMA
Depute Chief Executive & Chief Financial Officer
24 September 2020

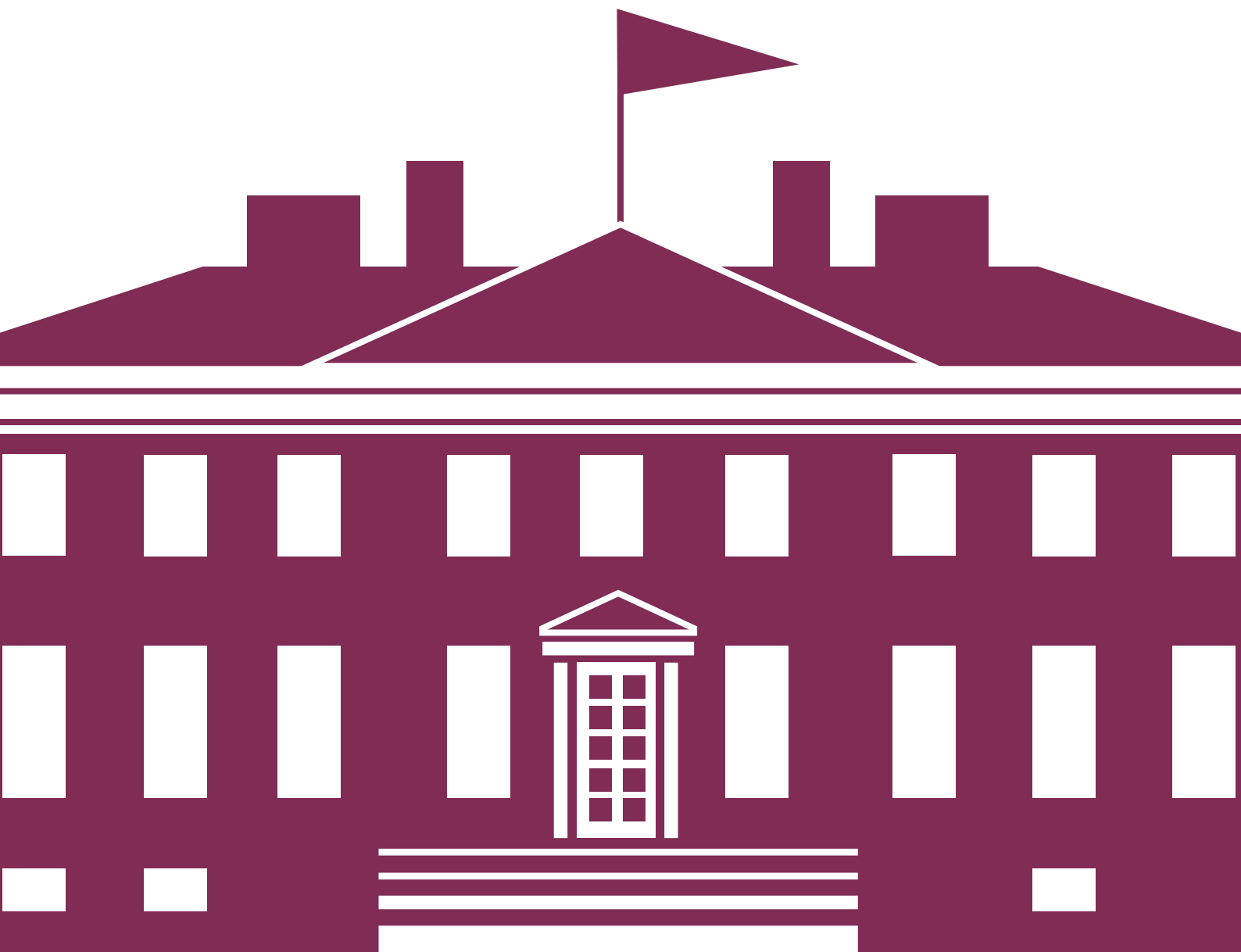
CASH FLOW STATEMENT

This shows changes in cash and cash equivalents by operating, investing and financing activities. Net cash flows from operating activities is a key indicator of the extent to which operations are funded by taxation, grants or charges for services. Investing activities represent the extent to which cash outflows have been made for resources intended to contribute to future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

2018/19			2019/20	
EAC	Group		EAC	Group
£m	£m		£m	£m
69.729	69.087	(Surplus)/ Deficit on the Provision of Services	89.476	85.687
-	0.913	Surplus/ (Deficit) attributable to Associates and Joint Ventures	-	4.060
69.729	70.000	(Surplus)/ Deficit on the Provision of Services	89.476	89.747
Non Cash Items in the Comprehensive Income and Expenditure Statement				
(75.719)	(75.992)	Depreciation and Impairment	(109.215)	(109.488)
(8.734)	(8.734)	Carrying Amount of Non Current Assets Sold <i>Note 14</i>	(3.636)	(3.636)
(33.039)	(33.039)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations <i>Note 8</i>	(22.205)	(22.205)
-	-	Available for Sale Financial Instruments - Fair Value Adjustment	-	-
0.019	0.019	EIR Stepped Loan Adjustment	0.025	0.025
(117.473)	(117.746)		(135.031)	(135.304)
Changes in Working Capital				
0.027	0.027	Increase/ (Decrease) in Stock and Work in Progress <i>Note 19</i>	(0.064)	(0.064)
(8.250)	(8.250)	Increase/ (Decrease) in Debtors	(2.008)	(2.008)
(12.187)	(12.187)	(Increase)/ Decrease in Creditors	3.391	3.391
(20.410)	(20.410)		1.319	1.319
Adjustments for Items which are included in the net surplus or deficit on the provision of services that are investing or financing activities				
3.099	3.099	Net (Increase)/ Decrease in Short Term Deposits	8.985	8.985
26.020	26.020	Capital Grants Received	23.687	23.687
1.095	1.095	Sale of Non Current Assets	0.734	0.734
30.214	30.214		33.406	33.406
(37.940)	(37.942)	Net Cash Outflow/ (Inflow) from Operating Activities	(10.830)	(10.832)
Investing Activities				
131.592	131.592	Cash Outflows: Purchase of Non Current Assets <i>Note 10</i>	103.634	103.634
-	0.002	Increase in Short Term Deposits	-	0.002
131.592	131.594		103.634	103.636
(1.095)	(1.095)	Cash Inflows: Sale of Non Current Assets <i>Note 4</i>	(0.734)	(0.734)
(3.099)	(3.099)	Decrease in Short Term Deposits	(8.985)	(8.985)
(26.020)	(26.020)	Capital Grants Received <i>Note 5</i>	(23.687)	(23.687)
(30.214)	(30.214)		(33.406)	(33.406)
101.378	101.380	Net Cash Outflow/ (Inflow) from Investing Activities	70.228	70.230
Financing				
-	-	Cash Outflows: Repayments of Amounts Borrowed	-	-
2.701	2.701	Capital Element of Finance Lease Rental Payments	2.954	2.954
(54.457)	(54.457)	Cash Inflows: New Loans Raised	(70.634)	(70.634)
(51.756)	(51.756)	Net Cash Outflow/ (Inflow) from Financing Activities	(67.680)	(67.680)
11.682	11.682	Net (Increase)/ Decrease in Cash and Cash Equivalents	(8.282)	(8.282)
25.866	25.866	Cash and Cash Equivalents at the start of the reporting period <i>Note 22</i>	14.184	14.184
14.184	14.184	Cash and Cash Equivalents at the end of the reporting period <i>Note 22</i>	22.466	22.466

Note to Cash Flow Statement – Included in Operating Activities is Interest paid in year of £21.918m; (2018/19, £21.181m) and Interest received in year £0.563m; (2018/19, £0.563m).

NOTES TO THE SINGLE ENTITY ANNUAL ACCOUNTS



NOTES TO THE CIES

Note 1 – Expenditure and Income Analysed by Nature

Our expenditure and income is analysed as follows for 2019/20.

2018/19		2019/20
£m	Expenditure and Income Analysed by Nature	£m
Expenditure		
233.127	Employee Benefit Expenses	237.859
292.271	Other Service Expenses	295.254
47.791	Depreciation, Amortisation and Impairment	82.182
21.445	Interest Payable and Similar Charges	22.266
7.639	(Gain)/ Losses on Disposals of Assets	2.903
602.273	Total Expenditure	640.464
Income		
(236.530)	Fees, Charges and Other Service Income	(246.705)
(0.563)	Interest and Investment Income	(0.563)
(74.076)	Income from Council Tax and Non Domestic Rates	(77.681)
(221.375)	Government Grants and Contributions	(226.039)
(532.544)	Total Income	(550.988)
69.729	(Surplus)/ Deficit on the Provision of Services	89.476

Income from service recipients is recognised as performance obligations are satisfied, normally as services are rendered or goods are provided. We have examined the revenue received from contacts with service recipients and there are no material income factors requiring further disclosure other than noted in the table above. New income streams will be reviewed annually.

Note 2 – External Audit Costs

Fees payable to Audit Scotland for services carried out under the Code of Practice in 2019/20 were £0.305m (2018/19 £0.296m).

Note 3– Agency Services

We bill and collect domestic water and sewerage charges on behalf of Scottish Water along with our own council tax. During the year we collected £17.737m and paid over £17.301m. We received £0.436m for providing this service (2018/19 £0.436m). We also act as agent on behalf of the Scottish Government collecting non-domestic rates. During 2019/20 we billed £26.445m on their behalf and we received £27.360m in Distributable income from the Non-Domestic Rates pool.

Note 4 – Material Items of Income and Expenditure

During 2019/20 we disposed of assets and received capital receipts of £0.733m. The carrying value of these assets on the Balance Sheet was £3.636m.

Note 5 – Grant Income

The following grants, contributions and donations were credited to the CIES in 2019/20.

2018/19		2019/20
£m	Credited to Taxation and Non Specific Grant Income	£m
195.355	Revenue Support Grant	202.352
26.073	Non-Domestic Rates	27.360
10.405	General Capital Grant	9.074
7.087	Council House Building Programme	4.262
8.528	Other Capital Grants	10.351
247.448	Total	253.399
£m	Credited to Services/ IJB	£m
34.546	DWP Housing Benefits	29.914
7.041	Scottish Attainment Challenge	7.423
2.934	William McIlvanney Campus	3.155
2.554	Criminal Justice Grant	2.630
1.937	Scottish Government - Early Learning & Childcare	6.816
-	- Coal Restoration	2.290
-	- Crossroads Hub	0.547
1.290	Integrated Care Fund	-
0.379	Delayed Discharge	0.379
1.315	Home Energy Efficiency Programmes Scotland (HEEPS) Grants	1.227
0.929	Private Sector Housing Grant	0.762
0.744	DWP Benefits Administration Grants	0.571
0.641	Alcohol and Drug Partnership Funding	0.623
0.357	Education Maintenance Allowance	0.383
0.925	Dean Castle Restoration	0.495
0.160	Syrian Resettlement Programme	0.185
0.695	European Social Fund Grants	0.553
0.676	Skares Flood Risk Reduction	0.038
-	- Ayrshire Growth Deal	3.194
-	- Parks for the People	1.550
0.340	Sportscotland - Active Schools Grant	0.348
0.288	Skills Development Scotland Skillsseeker Grant	0.326
0.256	Big Lottery Funding	0.190
0.729	Various Minor Education Grants	0.451
0.329	Various Minor Social Work Grants	0.270
0.490	Various Minor Economy & Skills Grants	0.588
1.013	Various Minor Safer Communities Grants	0.538
60.568	Total	65.446

NOTES TO THE BALANCE SHEET

Note 6 – Public Private Partnership (PPP) and Similar Contracts

Schools PPP Project

We entered into a PPP contract for the provision of school buildings, maintenance and other facilities for two primary schools and two combined educational campuses providing primary, secondary and special educational facilities. The contractor is required to ensure the availability of the buildings to a pre-agreed standard. The schools became operational during 2007/08 and 2008/09 and the assets and liabilities have been recognised in the Balance Sheet. At the end of the contract the buildings and any plant and equipment installed in them will transfer to us for no cost.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2020/21	5.063	1.736	3.910	10.709
Payable within 2 to 5 years	20.545	8.520	16.018	45.083
Payable within 6 to 10 years	30.614	11.880	18.771	61.265
Payable within 11 to 15 years	30.224	17.971	20.506	68.701
Payable within 16 to 20 years	18.511	14.554	13.182	46.247
Total	104.957	54.661	72.387	232.005

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

2018/19	2019/20
£m	£m
58.068 Balance outstanding at start of year	56.389
(1.679) Payments during the year	(1.728)
56.389 Balance outstanding at year-end	54.661

Schools Non Profit Distributing (NPD) Project

The William McIlvanney campus was handed over to the Council during 2018/19, and is a NPD project constructed via Design, Build, Finance and Maintain contract through the Schools for the Future programme. At the end of the contract period (25 years from April 2018) the asset will revert to us.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£m	£m	£m	£m
Payable in 2020/21	0.461	1.310	2.144	3.915
Payable within 2 to 5 years	2.318	5.643	7.969	15.930
Payable within 6 to 10 years	4.978	7.397	8.193	20.568
Payable within 11 to 15 years	7.028	8.438	5.918	21.384
Payable within 16 to 20 years	9.223	10.021	3.065	22.309
Payable within 21 to 25 years	5.324	7.839	0.703	13.866
Total	29.332	40.648	27.992	97.972

2018/19	2019/20
£m	£m
- Balance outstanding at start of year	41.874
42.897 Additions during the year	-
(1.023) Payments during the year	(1.226)
41.874 Balance outstanding at year-end	40.648

Movements in the value for both projects are detailed in the PPP Note 11. We make payment by a monthly unitary charge over the term of the agreement, which is increased each year by an inflationary element based on RPI and RPIX for 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.

Note 7 – Operating Leases

Council as Lessee: We have a number of assets under operating leases including properties, vehicles and plant and IT hardware. The expenditure charged to the Net Cost of Services in the CIES during the year in relation to these leases was £0.359m (£0.312m in 2018/19). The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2019		31 March 2020	
£m		£m	
0.263	Not later than 1 year	0.354	
0.771	Later than 1 year and not later than 5 years	0.613	
0.151	Later than 5 years	0.077	
1.185		1.044	

Council as Lessor: We lease out properties under operating leases for the provision of community services such as sports facilities and community facilities or for economic development purposes to provide suitable affordable accommodation for local businesses. The income credited to the Net Cost of Services in the CIES during the year in relation to these leases was £0.893m (£0.891m in 2018/19). Future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2019		31 March 2020	
£m		£m	
0.798	Not later than 1 year	0.778	
2.523	Later than 1 year and not later than 5 years	2.285	
6.211	Later than 5 years	5.772	
9.532		8.835	

Note 8 – Pension Schemes - Defined Benefit

Participation in Pension Schemes

We participate in the Strathclyde Pension Scheme, administered by Glasgow City Council which is a funded defined benefit scheme, meaning that our employees pay contributions calculated at a level intended to balance pension liabilities with investment assets. The Scheme provides pension benefits for councillors and local government employees (excluding teachers). For local government employees this is a defined benefit scheme calculated on a career average basis meaning pensions benefits are earned on pensionable pay earned in the scheme year. We have additional liabilities for unfunded discretionary pension payments outside the main scheme which is operated under the regulatory framework for the Local Government Pension Scheme. The pensions committee of Glasgow City Council is responsible for the governance of the scheme and policy is determined in accordance with Pensions Fund Regulations.

Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which appoints a number of external investment managers/partners and monitors their investment performance. The principal risks are the longevity assumptions, statutory scheme changes, structural changes (i.e. large-scale withdrawals), changes to inflation, bond yields and the performance of the investments held. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account the amounts required by statute as described in Note 30.

Transactions Relating to Post Employment Benefits

We recognise retirement benefits costs when earned rather than when paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year.

2018/19 £m	Local Government Pension Scheme <i>Comprehensive Income and Expenditure Statement (CIES)</i>	2019/20 £m
	<i>Cost of Services:</i>	
36.379	Current service costs	43.737
13.840	Past service costs (including curtailments)	(4.480)
	<i>Financing and Investing Income and Expenditure:</i>	
3.386	Net Interest Expense	5.165
53.605	Total Post Employment Benefit Charged to Surplus or Deficit on Provision of Services	44.422
	<i>Other Post Employment Benefit Charged to the CIES:</i>	
	<i>Re-measurement of the net defined benefit liability comprising:</i>	
(27.811)	Return on pension fund assets	60.720
-	Actuarial (gains) or losses arising on changes in demographic assumptions	(37.323)
80.634	Actuarial (gains) or losses arising on changes in financial assumptions	(115.211)
0.847	Actuarial (gains) or losses arising from other experience	(5.476)
53.670		(97.290)
107.275	Total Post Employment Benefit Charged to the CIES	(52.868)
	<i>Movement in Reserves Statement (MiRS)</i>	
(86.709)	Reversal of net charges made to the Surplus/ Deficit for the Provision of Services for post employment benefits in line with the Code	75.085
20.566	Employers' contributions payable to Strathclyde Pension Fund	22.217

Pension Assets and Liabilities on the Balance Sheet

2018/19 £m		2019/20 £m
(1,113.745)	Present Value of The Defined Benefit Obligation *	(1,003.209)
909.483	Fair Value of Pension Fund Assets	874.032
(204.262)	Net Liability arising from Defined Benefit Obligation	(129.177)
	<i>*Unfunded Liabilities included in the figure for present value of liabilities</i>	
(22.166)	Unfunded liabilities for Pension Fund	(19.257)
(26.860)	Teachers unfunded pensions	(23.232)
(8.152)	Unfunded liabilities prior to 1996 local government reorganisation	(6.598)

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

2018/19 £m		2019/20 £m
(974.445)	Opening balance at 1 April	(1,113.745)
(36.379)	Current Service Cost	(43.737)
(26.544)	Interest Cost	(27.033)
(5.515)	Contributions from scheme Participants	(5.970)
	<i>Re-measurement gains and (losses)</i>	
-	Actuarial gains or (losses) from changes in demographic assumptions	37.323
(80.634)	Actuarial gains or (losses) from changes in financial assumptions	115.211
(0.847)	Actuarial gains or (losses) from other experience	5.476
(13.840)	Past service cost	4.480
24.459	Benefits Paid	24.786
(1,113.745)	Closing Balance at 31 March	(1,003.209)

Reconciliation of Fair Value of the Scheme (plan) assets

2018/19		2019/20
£m		£m
856.892	Opening Fair Value of Pension Fund Assets	909.483
23.158	Interest Income	21.868
	Re-measurement gains and (losses)	
27.811	Return on pension fund assets	(60.720)
20.566	Contributions from employers	22.217
5.515	Contributions from employees into the scheme	5.970
(24.459)	Benefits Paid (including settlements)	(24.786)
909.483	Closing Balance at 31 March	874.032

Analysis of Pension Fund Assets

(Note, the actuary has stated that rounding may cause the sum of items not to equal the totals shown)

Asset Category	2019/20				2018/19			
	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Total	%	Prices Quoted in Active Markets	Prices not quoted in Active Markets	Total	%
	£m	£m	£m	%	£m	£m	£m	%
Equity Securities	201.620	0.529	202.149	22%	209.797	0.551	210.348	23%
Debt Securities	27.424	0.001	27.425	3%	28.536	0.001	28.537	3%
Private Equity		104.443	104.443	12%	-	108.679	108.679	12%
Real Estate		79.135	79.135	9%	-	82.345	82.345	9%
Investment Funds and Unit Trusts	286.897	85.608	372.505	44%	298.533	89.080	387.613	43%
Derivatives	0.018		0.018	0%	0.019	-	0.019	0%
Cash & Cash Equivalents	44.994	43.363	88.357	10%	46.819	45.122	91.941	10%
Closing Balance at 31 March	560.953	313.079	874.032	100%	583.706	325.777	909.483	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed based on the latest full valuation of the scheme as at 31 March 2020.

Local Government Pension Scheme		
Long-term expected rate of return on assets in the scheme:	2019/20	2018/19
Equity investments	2.3%	2.4%
Bonds	2.3%	2.4%
Property	2.3%	2.4%
Cash	2.3%	2.4%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
Men	20.7	21.4
Women	22.9	23.7
Longevity at 65 for future pensioners:		
Men	22.2	23.4
Women	24.6	25.8
Rate of inflation	2.9%	3.5%
Rate of increase in salaries	3.0%	3.7%
Rate of increase in pensions	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

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

Change in Assumptions at 31 March 2020

	Approximate % increase in Employer Liability	Approximate monetary amount £m
0.5% decrease in Real Discount Rate	10%	£98,941
1 Year increase in Member Life Expectancy	3-5%	Not Quantified
0.5% increase in the Salary Increase Rate	2%	£17,557
0.5% increase in the Pension Increase Rate	8%	£79,808

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions as shown above. The sensitivity has been determined based on reasonable 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 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. 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 of Strathclyde Pension Fund does not have an ALM strategy as this is used mainly by mature funds. The Fund does match, to the extent possible, 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 in too narrow a range. The Fund invests in equities, bonds, properties and cash.

Impact on the Authority's Cash Flow

The Fund's objective is 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 participating Local Authorities. Employers' contributions were set at 19.3% for 2019/20. The triennial valuation took place at 31 March 2017. The Fund will need to take account of national changes to the Scheme 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 2021 is £19.098m. The assumed weighted average duration of the defined benefit obligation is 18.5 years. This is different from the mortality assumptions quoted in the table Basis for Estimating Assets and Liabilities.

McCloud Judgement

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2015 in Scotland, transitional protections were applied to older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure to ensure that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination with the implications of this ruling expected to also apply to the LGPS. The UK Government was denied the request to appeal the decision in June 2019. LGPS Scotland benefits accrued from 2015 may thus need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin or receive compensation. This means that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of the judgement at this time is difficult as it depends on compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England and Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions and further details are available in GAD's paper of 10 June 2019.

Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates and our pension liability includes an estimation of the impact based on our membership profile.

Guaranteed Minimum Pension (GMP)

GMP was accrued by LGPS members between 6 April 1978 and 5 April 1997. GMP value is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between male and female benefits.

GMP rules were changed as an interim measure with responsibility for ensuring GMP's for members reaching state pension age between 6 April 2016 and 5 April 2021 keep pace with inflation was passed to pension schemes which leads to increased costs for schemes and employers.

Strathclyde Pension Fund's actuary has estimated the impact that the GMP indexation changes will have on pension fund liabilities, assuming that the permanent solution will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards and the impact is included in our overall liability.

Note 9 – Pension Schemes - Defined Contribution

Teachers are members of the Scottish Teachers' Superannuation Scheme which provides specified benefits upon retirement. We make contributions based on a percentage of members' pensionable salaries and it is technically a defined benefit scheme. Unlike the Local Government Scheme, we are not required to apply IAS 19 disclosures in respect of the Teachers' Scheme as the liability rests ultimately with the Scottish Government and the costs recorded are thus the actual contributions made during the year. The Scheme is accounted for as a defined contribution scheme and contributions in 2019/20 amounted to £10.816m, employer pension rates were 17.2% to 31/8/19 then 23% from 1/9/19 (2018/19 £7.966m, 17.2% of pensionable pay). In addition, contributions totaling £0.676m, 1.3% of pensionable pay, were made for discretionary payments (2018/19 £0.698m, 1.5% of pensionable pay). We are responsible for the costs of any additional benefits awarded upon early retirement. These are accounted for on a defined benefit basis.

Note 10 – Capital Expenditure and Capital Financing

Capital expenditure incurred in 2019/20 and the resources used to finance it are:

2018/19 £m	2019/20 £m
406.161 Opening Capital Financing Requirement	488.386
<i>Capital Investment</i>	
131.200 Property, Plant and Equipment	103.239
0.392 Intangible Assets	0.395
2.284 Revenue Expenditure Funded from Capital under Statute	5.556
<i>Sources of Finance</i>	
(0.457) Capital receipts	(0.283)
(28.304) Government grants and other contributions	(29.243)
<i>Sums set aside from revenue:</i>	
(10.318) Direct revenue contributions	(8.540)
(2.701) Repayment of PPP/Finance Lease Capital Debt	(2.954)
(9.871) Loans Fund Principal	(10.751)
488.386 Closing Capital Financing Requirement	545.805
Explanation of movements in year	
82.225 Increase/ (Decrease) in underlying need to borrow (unsupported by government financial assistance)	57.418
82.225 Increase/ (Decrease) in Capital Financing Requirement	57.418

Note: Property, Plant and Equipment above includes assets held for sale.

Note 11 – PPP Assets Included in Property, Plant and Equipment

2018/19 £m	2019/20 £m
83.979 Cost or Valuation at 1 April	134.584
46.353 Expenditure	0.052
4.252 Revaluations To Revaluation Reserve	(5.877)
- Revaluations To Net Cost of Services	(1.159)
134.584 Cost or Valuation at 31 March	127.600
(5.865) Depreciation and Impairment at 1 April	(8.154)
(3.427) Depreciation charge	(3.428)
1.138 Depreciation Written Out To Revaluation Reserve	11.582
(8.154) Depreciation or Impairment at 31 March	0.000
78.114 Opening Net Book Value	126.430
126.430 Closing Net Book Value	127.600

Note 12 – Impairment Losses

An impairment loss of £75.140m was recognised in 2019/20 due to the revaluation of PPE (2018/19 £34.573m). The assets have been reduced to their new value in use and relevant impairment losses charged to the CIES.

Note 13 – Fair Value Hierarchy

Surplus assets and held for sale assets are measured at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants. We use valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation technique in respect of assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, as follows:

- *Level 1 - quoted prices (unadjusted) in active markets for identical assets that we can access;*
- *Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;*
- *Level 3 - unobservable inputs for the asset.*

Level 2 Significant observable inputs: the Fair Value for assets has been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets within East Ayrshire. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the Fair Value hierarchy.

All surplus properties and Common Good investment properties fall into Level 2 and their fair value at 31 March 2020 were as follows:

2018/19 £m	2019/20 £m
5.709 Opening Net Book Value	7.731
2.070 Additions	0.423
Revaluations:	
(0.858) To Revaluation Reserve	0.024
0.292 To Net Cost of Services	0.053
(0.102) Disposals	(0.128)
0.762 Assets Reclassified	0.106
(0.142) Depreciation charge	(0.142)
7.731 Closing Net Book Value	8.067

Note 14 – Property, Plant and Equipment (PPE)

2019/20	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2019/20
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
Cost or Valuation:	£m	£m	£m	£m	£m	£m	£m
At 1 April 2019	297.025	497.133	44.919	128.227	7.867	49.551	1,024.722
Expenditure	20.422	14.613	2.604	10.548	0.463	54.628	103.278
Revaluations (Effective 31 March):							
To Revaluation Reserve	(0.004)	(73.898)	-	-	(0.034)	-	(73.936)
To Net Cost of Services	(23.736)	(51.457)	-	-	0.053	-	(75.140)
Disposals	(3.472)	(0.137)	(0.959)	-	(0.096)	-	(4.664)
Assets reclassified (to)/from Held for Sale	(0.085)	(0.021)	-	-	-	-	(0.106)
Other movements	27.658	6.227	-	-	-	(33.885)	-
At 31 March 2020	317.808	392.460	46.564	138.775	8.253	70.294	974.154
Depreciation and Impairment:							
At 1 April 2019	(0.000)	(43.294)	(34.168)	(67.329)	(0.338)	-	(145.129)
Depreciation charge	(10.519)	(13.322)	(3.690)	(6.306)	(0.142)	-	(33.979)
Depreciation written out							
To Revaluation Reserve	0.004	55.297	-	-	0.058	-	55.359
Disposals	0.123	0.028	0.909	-	0.012	-	1.072
Reclassifications	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-
At 31 March 2020	(10.392)	(1.291)	(36.949)	(73.635)	(0.410)	-	(122.677)
Net Book Value at 31 March 2019	297.025	453.839	10.751	60.898	7.529	49.551	879.593
Net Book Value at 31 March 2020	307.416	391.169	9.615	65.140	7.843	70.294	851.477
2018/19	OPERATIONAL ASSETS				NON-OPERATIONAL ASSETS		2018/19
	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets - Surplus Assets Not Held for Sale	Assets Under Construction	
Cost or Valuation:	£m	£m	£m	£m	£m	£m	£m
At 1 April 2018	474.660	445.442	43.125	117.769	5.594	15.551	1,102.141
Expenditure	17.523	52.493	3.733	10.458	2.031	44.922	131.160
Revaluations (Effective 1 April):							
To Revaluation Reserve	(167.493)	6.243	-	-	0.191	-	(161.059)
To Net Cost of Services	(19.768)	(14.513)	-	-	0.066	-	(34.215)
Disposals	(10.068)	(0.501)	(1.939)	-	-	-	(12.508)
Other movements	2.171	7.969	-	-	(0.015)	(10.922)	(0.797)
At 31 March 2019	297.025	497.133	44.919	128.227	7.867	49.551	1,024.722
Depreciation and Impairment:							
At 1 April 2018	(88.775)	(34.543)	(31.761)	(60.368)	(0.221)	-	(215.668)
Depreciation charge	(16.315)	(13.289)	(4.329)	(6.961)	(0.142)	-	(41.036)
Depreciation written out							
To Revaluation Reserve	103.136	4.518	-	-	0.025	-	107.679
Disposals	1.954	-	1.922	-	-	-	3.876
Reclassifications	-	-	-	-	-	-	-
Other movements	-	0.020	-	-	-	-	0.020
At 31 March 2019	(0.000)	(43.294)	(34.168)	(67.329)	(0.338)	-	(145.129)
Net Book Value at 31 March 2018	385.885	410.899	11.364	57.401	5.373	15.551	886.473
Net Book Value at 31 March 2019	297.025	453.839	10.751	60.898	7.529	49.551	879.593

Note 17 – Assets Held for Sale

2018/19		2019/20
£m	Current Assets	£m
0.336	Balance outstanding at start of year	0.201
0.816	Assets newly classified as held for sale	0.067
	Revaluation Losses:	
(0.491)	To Revaluation Reserve	-
(0.358)	To Net Cost of Services	-
(0.102)	Assets sold	(0.044)
0.201	Balance outstanding at year-end	0.224

Note 18 – Heritage Assets

We have a number of collections which are held in support of the primary objective of increasing knowledge, understanding groups and appreciation. The collections fall into two main aims:

- The systematic collection of material representative of the human history, natural history and earth sciences of the local area, 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;
- 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 main collections have been reported on the Balance Sheet at their insurance valuation with the other minor collections based on valuation judgement of the curator of the collection.

2018/19		2019/20
£m		£m
65.256	Cost or Valuation at 1 April	65.256
-	- Revaluations during the year	-
65.256	Cost or Valuation at 31 March	65.256
65.256	Opening Net Book Value	65.256
65.256	Closing Net Book Value	65.256

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.

Note 19 – Inventories

2018/19			2019/20		
Consumable Stores	Maintenance Materials	Total	Consumable Stores	Maintenance Materials	Total
£m	£m	£m	£m	£m	£m
0.591	0.927	1.518	0.626	0.919	1.545
1.518	4.082	5.600	1.382	2.741	4.123
(1.483)	(4.090)	(5.573)	(1.384)	(2.804)	(4.188)
0.626	0.919	1.545	0.624	0.856	1.480

Note 20 – Debtors

31 March 2019	31 March 2020
£m	£m
7.060 Central Government bodies	12.671
5.680 Other Local Authorities	1.176
1.891 NHS bodies	5.656
0.211 Public Corporations and trading funds	-
11.671 Other entities and individuals	11.971
26.513 Total	31.474

Note 21 – Creditors

31 March 2019	31 March 2020
£m	£m
(8.555) Central Government bodies	(8.354)
(2.810) Other Local Authorities	(2.363)
(0.148) NHS bodies	(0.094)
(0.329) Public Corporations and trading funds	(0.183)
(53.843) Other entities and individuals	(48.888)
(65.685) Total	(59.882)

Note 22 – Cash and Cash Equivalents

31 March 2019	31 March 2020
£m	£m
0.102 Cash held by the Council	0.051
(1.511) Bank current accounts	(1.101)
15.593 Short term deposits	23.516
14.184 Total Cash and Cash Equivalents	22.466

Note 23 – Provisions

The Council holds a provision of £0.115m in respect of teachers holidays accrued while on maternity leave, which is a reduction of £0.056m on the opening balance of £0.171m.

A provision of £0.097m has been retained in respect of a potential PAYE tax liability arising from the 'Lets Connect' technology salary sacrifice scheme arising as a result of the HMRC view regarding the residual value and disposal arrangements at the conclusion of the arrangement.

Strathclyde Regional Council (SRC) intromissions for our share of outstanding claims against the former SRC are held. 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.

Employment Tribunal proceedings have been raised against the Council by a number of staff relating to Equal Pay. 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.

Note 24 – Contingent Assets and Liabilities

We are a member of Business Loans Scotland, which exists to co-ordinate the 12 former SRC authorities in respect of their relationship with the European Regional Development Fund. At 31 March 2020 our involvement stands at £0.886m.

Appropriate provision has been made for the settlement of all known claims in respect of Equal Pay.

We have 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.

We remain liable for a share of potential liabilities arising from claims lodged against SRC on a geographical basis and of other expenditure above a specified level on an agreed basis. These potential liabilities include shared liability in connection

with Municipal Mutual Insurance (MMI) Limited, one of the insurers of the former SRC and the former Kilmarnock and Loudoun and Cumnock and Doon Valley District Councils. Following the Supreme Court ruling on Employers' Liability Insurance "Trigger" Litigation on 28 March 2012 we have a provision to meet clawback of estimated payments made by MMI Limited for known claims and a contingent liability for claims that may be incurred but yet to be reported.

The Limitation (Childhood Abuse)(Scotland) Act 2017 received royal assent on 28 July 2017. The principal effect of the legislation is to remove the three year time bar on survivors of abuse bringing forward claims for compensation. This would apply for all claims for 1964 onwards and there is a potential cost to the Council in respect of claims which may arise under the legislation.

Note 25 – Financial Instruments

Financial Assets and Financial Liabilities

31 March 2019				31 March 2020		
Non Current	Current	Total	Amortised Cost	Non Current	Current	Total
£m	£m	£m		£m	£m	£m
0.412	9.010	9.422	Investments	0.406	0.030	0.436
-	42.208	42.208	Debtors	-	55.041	55.041
0.412	51.218	51.630	Total Financial Assets	0.406	55.071	55.477
(388.745)	(39.605)	(428.350)	Borrowings	(443.670)	(52.075)	(495.745)
-	(50.750)	(50.750)	Creditors	-	(44.362)	(44.362)
(388.745)	(90.355)	(479.100)	Total Financial Liabilities	(443.670)	(96.437)	(540.107)

Items of Income

2018/19			2019/20	
Surplus or	Other		Surplus or	Other
Deficit on the	Comprehensive		Deficit on the	Comprehensive
Provision of	Income and		Provision of	Income and
Services	Expenditure		Services	Expenditure
£m	£m	Net gains/losses on:	£m	£m
-	-	- Financial assets measured at amortised cost	-	-
-	-	- Total net gains/losses	-	-
(0.563)	-	Interest revenue:	(0.563)	-
(0.563)	-	- Financial assets measured at amortised cost	(0.563)	-
(0.563)	-	- Total interest revenue	(0.563)	-
21.181	-	- Interest expense	21.943	-

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised costs and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For non-Public Works Loan Board (PWLB) loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2019			31 March 2020	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
9.010	9.010	Short Term Investments	0.030	0.030
0.412	0.412	Long Term Investments	0.406	0.406
42.208	42.208	Short Term Debtors	55.041	55.041
51.630	51.630	Financial Assets	55.477	55.477
(237.688)	(354.900)	PWLB Debt	(293.621)	(471.249)
(90.888)	(149.910)	Non-PWLB Debt	(105.714)	(184.886)
(1.511)	(1.511)	Short Term Borrowing	(1.101)	(1.101)
(50.750)	(50.750)	Short Term Creditors	(44.362)	(44.362)
(2.955)	(2.955)	Short Term Finance Lease Liability	(3.046)	(3.046)
(95.308)	(118.485)	Other Long Term Liabilities	(92.263)	(130.883)
(479.100)	(678.511)	Financial Liabilities	(540.107)	(835.527)

The fair value of the liabilities is greater than the carrying amount as our portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

However, we have the ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that will be paid as a result of PWLB commitments for fixed rate loans is to compare the terms of these loans with new borrowing rates available from PWLB. If a value is calculated on this basis, the carrying amount of £293.621m would be valued at £344.803m. If we were to realise the projected gain by repaying the PWLB loans, there would be a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £471.249m.

Short Term Debtors and Creditors are carried at cost as this is a fair approximation of their value.

Note 26 – Risks Arising from Financial Instruments

Our activities expose us to a variety of financial risks:

Credit Risk the possibility that other parties might fail to pay amounts due to us.

Liquidity Risk the possibility that we may have insufficient funds to make repayments.

Re-financing Risk the possibility that we might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Market Risk the possibility that financial loss might arise as a result of changes in interest rates and stock market movements.

Our 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 procedures are set out through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations which require us to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act. Overall, these procedures require us to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By adopting a Treasury Policy Statement and treasury management clauses in the financial regulations;
- By approving annually in advance prudential and treasury indicators for the following 3 years limiting:
 - Overall borrowing;
 - Maximum and minimum exposures to the maturity structure of debt;
 - Management of interest rate exposure;
 - Maximum annual exposures to investments maturing beyond a year.

- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government regulations.

These require to be reported and approved at or before our annual council tax setting budget or before the start of the year to which they relate. They are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to our financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual **Treasury Management Strategy** incorporates the prudential indicators approved by Council on 28 March 2019, and is available on our website. The key areas within the strategy were:

- The Authorised Limit for 2019/20 was set at £574.105m, the maximum limit of external borrowings or other long-term liabilities; (2018/19 ; £655m)
- The Operational Boundary was expected to be £560.102m. This is the expected level of debt and other long-term liabilities during the year; (2018/19 ; £625.268m)
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on our net debt;
- The maximum and minimum exposures to the maturity structure of debt.

Risk management is coordinated by a central treasury team, under the approved Treasury Management Strategy and we have in place written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash).

Credit Risk Management Practices

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers. This risk is minimised through the Annual Investment Strategy, available on our website. Credit risk practices are set out in the Annual Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

The Annual Investment Strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

We use the creditworthiness service provided by Link Asset Services which uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit default swap spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The 2019/20 Investment Strategy was approved by Council on 28 March 2019 is available on our website.

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

Our maximum exposure to credit risk in relation to investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

For investments at amortised cost there are no expected credit losses.

Credit Risk Exposure at 31 March 2020

Counterparty	Credit Rating	Credit Rating	Balance Invested at 31 March 2020						Total
	Criteria met	Criteria met	Up to 1	Between	Between	Between	Between	Over 12	
	when	on 31 March	Month	1 and 3	3 and 6	6 and 9	9 and 12	Month	
	investment	2020	£m	£m	£m	£m	£m	£m	£m
	placed								
	YES/NO	YES/NO							
UK Banks	YES	YES	0.005	1.001	-	-	-	-	1.006
Debt Management Office	YES	YES	22.510	-	-	-	-	-	22.510
Other	YES	YES	-	-	0.004	-	0.002	0.418	0.424
Total			22.515	1.001	0.004	-	0.002	0.418	23.940

Liquidity Risk

We manage our liquidity position through the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, and through a comprehensive cash flow management system required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

We have ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term fund and are also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that we will be unable to raise finance to meet commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

31 March 2019		31 March 2020	
£m		£m	
9.010	Less than 1 year		0.030
0.006	Between 1 and 2 years		0.006
0.006	Between 2 and 3 years		0.006
0.400	More than 3 years		0.394
9.422			0.436

Refinancing and Maturity Risk

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

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

- Financial liabilities and amending the profile through new borrowing or the rescheduling of existing debt;
- Investments to ensure sufficient liquidity is available for day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Cabinet in the Treasury Management Strategy):

	Approved	Approved	31 March 2020	
	Minimum	Maximum	£m	%
	Limits	Limits		
Less than 1 year	0%	35%	52.075	10.50%
Between 1 and 2 years	0%	35%	12.458	2.51%
Between 2 and 5 years	0%	60%	31.775	6.41%
Between 5 and 10 years	0%	50%	72.959	14.72%
More than 10 years	0%	50 - 90%	326.478	65.86%
Total			495.745	100.00%

Trade Receivables

At 31 March 2020 potential maximum exposure credit risk based on the level of default trade debtors is a gross debtor of £14.419m with a bad debt provision of £5.386m (At 31 March 2019 gross debtor £13.442m with bad debt provision of £5.577m). The amount 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. Analysis of the Gross Debtor amount by age is:

31 March 2019		31 March 2020	
£m		£m	
7.401	Less than 3 months	7.936	
0.361	Between 3 and 6 months	0.550	
0.658	Between 6 months and 1 year	0.697	
5.022	More than 1 year	5.236	
13.442		14.419	

Market Risk

Interest rate risk – we are exposed to interest rate movements on borrowings and investments. Movements in interest rates have a complex impact, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the CIES will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be in the CIES.

We have a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together our prudential and treasury indicators and expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2020, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	0.453
Impact on Surplus or Deficit on the Provision of Services	0.453
Share of overall impact debited to the HRA	0.147
Decrease in fair value of fixed rate investment assets	0.001
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)	101.239

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 25 – Fair Value of Assets and Liabilities carried at Amortised Cost.

Price Risk - we do not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk - we have no financial assets or liabilities denominated in foreign currencies and therefore no exposure to loss arising from movements in exchange rates.

Note 27 – Related Parties

Related parties are organisations that we can control or influence or who can control or influence the Council. Central Government has effective control over our general operations and is responsible for providing the statutory framework within which we operate, provides the majority of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 5.

Elected Members

Members 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 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. In relation to interests of any other relevant parties, those members with declarations of 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 members interests. Similar to the 2018/19 position, there were no related party transactions in the year.

Chief Officers

All Chief Officers completed and signed a Related Party declaration for the year to 31 March 2020. Based on the completed returns there were no related party transactions in the year and this was a similar position in 2018/19.

Entities Controlled or Significantly Influenced by the Council

East Ayrshire Leisure Trust and the Integration Joint Board are both deemed to be a related parties mainly through our ability to exert influence over them through our representation on the respective Board. The relevant transactions and balances with these bodies are:

During 2018/19		As at 31 March 2019			During 2019/20		As at 31 March 2020	
Charges to £m	Charges from £m	Due from £m	Due to £m	Entity	Charges to £m	Charges from £m	Due from £m	Due to £m
0.473	6.270	0.032	0.528	East Ayrshire Leisure Trust	0.451	5.315	0.046	0.313
98.229	77.809	-	1.994	Integration Joint Board	101.779	80.774	-	3.223

Note 28 – Unusable Reserves

Unusable Reserves are those we cannot use to provide services and are as follows:

2018/19		Unusable Reserves		Unusable Statutory Adjustment Accounts				2019/20
Total Unusable Reserves		Revaluation Reserve	Available for Sale Financial Instruments Reserve	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Total Unusable Reserves
£m		£m	£m	£m	£m	£m	£m	£m
408.706	Balance as at 31 March 2019	288.276	-	165.242	(204.262)	(12.037)	(8.360)	228.859
(107.541)	Other Comprehensive Income and Expenditure	(18.577)	-	-	97.290	-	-	78.713
(107.541)	Total Comprehensive Income and Expenditure	(18.577)	-	-	97.290	-	-	78.713
	Adjustments between Accounting Basis and Funding Basis Under Statute							
(50.219)	Current and Past Service Pension Costs in Cost of Services	-	-	-	(39.257)	-	-	(39.257)
(3.386)	Net Interest on Net Defined Pension Liability	-	-	-	(5.165)	-	-	(5.165)
20.566	Employers Contributions to Pensions Fund	-	-	-	22.217	-	-	22.217
(33.039)	Adjustments Relating to Pensions	-	-	-	(22.205)	-	-	(22.205)
(41.036)	Depreciation of Non Current Assets	(8.169)	-	(25.810)	-	-	-	(33.979)
(34.573)	Impairment of Non Current Assets	-	-	(75.140)	-	-	-	(75.140)
(0.110)	Amortisation of Intangible Assets	-	-	(0.096)	-	-	-	(0.096)
26.020	Capital Grants & Contributions Applied	-	-	23.699	-	-	-	23.699
(3.455)	Capital Grants & Contributions Unapplied	-	-	-	-	-	-	-
12.572	Repayment of Debt	-	-	13.706	-	-	-	13.706
10.318	Capital Expenditure Funded in Year	-	-	8.540	-	-	-	8.540
0.457	Use of HRA Capital Fund to Finance New Capital Expenditure	-	-	0.283	-	-	-	0.283
(8.734)	Net Gain/ Loss on Disposal of Non Current Assets	-	-	(3.636)	-	-	-	(3.636)
(38.541)	Adjustments Relating to Capital	(8.169)	-	(58.454)	-	-	-	(66.623)
(1.182)	Differences relating to Officer Remuneration required by statute	-	-	-	-	-	(0.913)	(0.913)
0.456	Differences relating to Financial Instruments required by statute	-	-	-	-	0.462	-	0.462
(0.726)	Adjustments for Other Items	-	-	-	-	0.462	(0.913)	(0.451)
(179.847)	Increase (decrease) before transfers	(26.746)	-	(58.454)	75.085	0.462	(0.913)	(10.566)
228.859	Balance as at 31 March 2020	261.530	-	106.788	(129.177)	(11.575)	(9.273)	218.293

Note 29 – Ayrshire Roads Alliance

The Ayrshire Roads Alliance was established on 1 April 2014 as a shared service partnership between East Ayrshire Council and South Ayrshire Council. The Alliance provides a shared roads service for both councils and is accounted for on a purchaser / provider arrangement with East Ayrshire Council employing all staff and managing the operational service. The budget for the Alliance is split between strategic and local delivery elements with both councils allocating their respective share. At the end of the year the expenditure on strategic delivery budgets is shared in line with local delivery budget inputs plus actual capital expenditure in-year after allocating a group of strategic staff equally.

Local delivery budgets are used to meet local and consolidated road maintenance plans and the funding allocation from each council varies. Any surplus or deficit at the year end on local delivery is retained by the relevant council. At the end of 2019/20 the financial results for the Alliance are as follows:

Annual				Annual		
Estimate	Actual to			Estimate	Actual to	
2018/19	31/3/19	Variance	Council	2019/20	31/3/20	Variance
£m	£m	£m		£m	£m	£m
8.075	7.646	(0.429)	East Ayrshire Council	6.712	6.339	(0.373)
7.120	6.360	(0.760)	South Ayrshire Council (SAC)	6.404	6.047	(0.357)
15.195	14.006	(1.189)	Total	13.116	12.386	(0.730)

Annual				Annual		
Estimate	Actual to			Estimate	Actual to	
2018/19	31/3/19	Variance	Detail	2019/20	31/3/20	Variance
£m	£m	£m		£m	£m	£m
8.746	8.027	(0.719)	Employee Costs	9.025	8.011	(1.014)
0.599	0.555	(0.044)	Premises Costs	0.578	0.510	(0.068)
1.761	1.686	(0.075)	Transport Costs	1.752	1.607	(0.145)
6.322	6.217	(0.105)	Supplies and Services	5.148	5.333	0.185
3.035	3.808	0.773	Third Party Payments	2.587	3.826	1.239
0.465	0.356	(0.109)	Debt Charges	0.383	0.338	(0.045)
20.928	20.649	(0.279)	Total Expenditure	19.473	19.625	0.152
(5.733)	(6.643)	(0.910)	Income	(6.357)	(7.239)	(0.882)
15.195	14.006	(1.189)	Net Expenditure	13.116	12.386	(0.730)

Annual				Annual			
Estimate	Actual to		Amount Charged to SAC at	Estimate	Actual to		Amount Charged to SAC at
2018/19	31/3/19	Variance	Year End	2019/20	31/3/20	Variance	Year End
£m	£m	£m	£m	£m	£m	£m	£m
2.008	1.658	(0.350)	n/a	2.073	1.844	(0.229)	n/a
2.040	1.897	(0.143)	(0.143)	2.005	1.765	(0.240)	(0.240)
4.048	3.555	(0.493)	(0.143)	4.078	3.609	(0.469)	(0.240)

Annual				Annual			
Estimate	Actual to		Amount Charged to SAC at	Estimate	Actual to		Amount Charged to SAC at
2018/19	31/3/19	Variance	Year End	2019/20	31/3/20	Variance	Year End
£m	£m	£m	£m	£m	£m	£m	£m
6.067	5.988	(0.079)	n/a	4.639	4.495	(0.144)	n/a
5.080	4.463	(0.617)	(0.617)	4.399	4.282	(0.117)	(0.117)
11.147	10.451	(0.696)	(0.617)	9.038	8.777	(0.261)	(0.117)

GENERAL ACCOUNTING POLICIES AND ASSUMPTIONS

Note 30 – Accounting Policies

(A) General Principles

The Accounts summarise our transactions for the 2019/20 financial year and the position as at 31 March 2020. We are required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires 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 2019/20 (The Code) 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.

The fundamental qualitative characteristics of Relevance, Materiality and Faithful Representation have been considered alongside the following 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 in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

(B) 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 for the year. 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) 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. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(C) 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 in three months or less from 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 statements net of bank overdrafts repayable on demand and form an integral part of our cash management.

(D) Material Items and Prior Period Adjustments

Items of income and expenditure considered material to the understanding our financial performance are disclosed in the CIES or in the notes. Changes in accounting estimates are accounted for prospectively, prior period figures will not be restated. Changes in accounting policy are applied retrospectively and prior period figures will be restated.

(E) Charges to Revenue for Non Current Assets

Services are charged with the following to record the cost of holding non current assets during the year:

- Depreciation attributable to the assets used by the relevant service;

- Revaluation and impairment losses on assets used where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible non current assets attributable to the service.

We are not required to raise council tax to cover depreciation, impairment losses or amortisation. 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 MiRS.

(F) Employee Benefits

Benefits Payable During Employment – Short term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised in the year in which employees work. An accrual is made for the cost of holiday entitlements or leave earned by employees but not taken before the year-end and which employees can carry forward into the next year.

Termination Benefits - These amounts are payable as a result of a decision to terminate employment before the normal retirement date or an officer's decision to accept voluntary redundancy and charged when we commit to a termination, the offer cannot be withdrawn and agreement has been granted by Cabinet. Where termination benefits include pension enhancements, the General Fund balance is charged with the amount payable to the pension fund or pensioner in the year. The MiRS, reflects the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits – We participate in the Local Government Pension Scheme, administered by Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government. Both provide defined benefits to members (retirement lump sums and pensions) earned as employees.

The Teachers' Scheme is accounted for as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education line in the CIES 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 with liabilities attributable to us 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 current employees projected earnings. Liabilities are discounted to value at current prices, using a discount rate used by the actuaries to value the liability. Assets attributable to us are included in the Balance Sheet at fair value at current bid prices for securities, estimated fair value for unquoted securities and market price for property. The change in net pensions liability is accounted for by IAS 19 - Employee Benefits.

The MiRS, reflects 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 - We have 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 staff 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.

(G) Financial Liabilities

Financial liabilities are recognised in the Balance Sheet when we become 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 CIES 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 discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Borrowings in the Balance Sheet comprise the outstanding principal repayable plus accrued interest. Interest charged to the CIES is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are reflected in the CIES in the year of repurchase/settlement. 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 CIES 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 CIES, regulations permit the restructuring costs to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

(H) Financial Assets

Based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics, there are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss (FVPL), and;
- Fair value through other comprehensive income (FVOCI).

Our business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised when we become party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently measured at amortised cost. Credits to the CIES for interest receivable are based on the asset's carrying amount multiplied by the effective rate of interest for the instrument. For most of the financial assets held, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the CIES.

Expected Credit Loss Model - We recognise expected credit losses on financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised when we become party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive and based on the following techniques:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Gains and losses arising from derecognition of the asset are reflected in the CIES.

(I) Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due when there is reasonable assurance that we will comply with the conditions attached to the payments, and the grants or contributions will be received.

Amounts recognised as due are credited to the CIES when conditions have been met. When conditions have not been met advance funds are recognised as creditors.

When conditions are satisfied, the grant or contribution is credited to the CIES. Where the condition of grant cannot be satisfied then the monies will be returned. Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the MiRS. 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.

(J) Intangible Assets

Non Current

Expenditure on non-monetary assets that do not have physical substance but are controlled as a result of past events is capitalised when it is expected that it will bring benefits for more than a year. Intangible assets are initially measured at cost. Amounts are not revalued, as the fair value of the assets cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the CIES. Where expenditure qualifies as capital expenditure, amortisation, impairment losses and disposal gains are not permitted to have an impact on the General Fund Balance. Gains and losses are reversed in the MiRS and posted to the Capital Adjustment Account.

(K) Inventories

Consumable Stocks and Work-In-Progress are valued on a cost price basis except for the HRA where average cost is used.

(L) Leases

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

The Council as Lessee - Operating Leases: We rent 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 CIES as an expense of the service using of the leased property over the term of the lease.

The Council as Lessor - Operating Leases: Where we grant an operating lease for a property or item of PPE, the asset is retained in the Balance Sheet. Rental income is credited to the CIES. Credits are made on a straightline basis over the life of the lease, even if this does not match the pattern of payments (e.g. a premium is 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.

(M) Overheads and Support Services

Support services are shown in line with our management structure. Overheads are charged to services on the basis of service accountability, financial performance and consumption.

(N) Property, Plant and Equipment (PPE)

PPE assets have physical substance and are held for use in the supply of services, for rental to others or for administrative purposes and are expected to be used during more than one financial year.

Recognition: Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that we will receive the future economic benefits or service potential associated with the item 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 PPE and are charged to the CIES. De-minimus does not apply where certain categories of assets are grouped together and form part of the approved capital programme.

Components of PPE are recognised separately for depreciation purposes where it is considered that the value of the component is significant in relation to the total asset value. We consider significant components as those with a value in excess of 20% of the overall value of the asset. Assets will be disregarded for component accounting where they have a carrying value of below £2m.

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. We do 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 using amount paid for asset in 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. We revalue land and buildings in a five year rolling programme at 31 March. The valuations have been compiled by an external valuer. Surplus assets not held for sale are not exempt from depreciation. Housing stock was revalued at 31 March 2019 in line with the revaluation policy.

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, the date of its formal implementation. Gains before that date have been consolidated into the Capital Adjustment Account.

Impairment: Officers 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 in the CIES. Where an impairment loss is subsequently reversed, the reversal is credited to the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: is provided for on all PPE 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).

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 assets held, determined by asset condition.

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 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 CIES. 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 are 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 sale at a price 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 PPE will be reclassified to be Assets Held for Sale. The date of reclassification will normally follow the approval by Cabinet to sell the asset. If assets no longer meet the Assets Held for Sale criteria, they are reclassified as non current assets and valued at the lower of their carrying amount before they were classified as Assets 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 CIES as part of the gain or loss on disposal. Any receipts from disposals are credited to the CIES also as part of the gain or loss on disposal i.e. netted-off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against Council Tax, as the cost of non current 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 MiRS.

(O) Heritage Assets

The Code defines Heritage Assets as: "Tangible (or intangible) assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for contribution to knowledge and culture."

The Heritage Assets held are:

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

Heritage Assets do not include:

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

Heritage Assets are presented separately from other PPE assets in the Balance Sheet and the notes identify the classes of such assets being reported at cost and those at valuation.

The valuation of Heritage Assets at 31 March is based upon information held in catalogues or inventories maintained within the Council and with the main collections of fine art, arms and militaria, manuscripts, musical instruments and tapestries valued at specific intervals by specialist valuers. We do not consider that reliable cost of valuation information can be obtained for the vast majority of remaining items held because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. A considerable number of heritage assets (such as collections that have primarily a scientific and cultural value rather than a financial one, public space, statues, monuments, memorials, fountains, and outdoor artworks) are not recognised in the Balance Sheet.

Heritage Assets are deemed to have indeterminate lives and high residual values and we do not consider it appropriate to charge depreciation on these assets.

(P) Public Private Partnership

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PPP operator. As we are deemed to control the services that are provided under schools PPP scheme and as ownership of the schools will pass to us at the end of the contracts for no additional charge, the accounting regulations (IFRIC 12 Service Concession Arrangements) require us to recognise the assets as part of our PPE.

The original recognition of the schools PPP 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 PPP assets are revalued and depreciated in the same way as other non current assets we own. The amounts payable to the PPP operator each year are analysed into:

- The service charge element and life-cycle replacement costs, charged to Education in the CIES;
- The interest element, charged to Financing and Investment Income and Expenditure lines in the CIES;
- 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 lines in the CIES;
- The repayment of the liability, applied to reduce the Balance Sheet liability owed to the operator.

(Q) Common Good

As part of the management arrangements where land and buildings are confirmed as belonging to the Common Good, and where we incur costs or receive income relating to these assets as the managing agent, the Common Good pays a nominal annual £1 fee (if asked) in return for the management of the asset. We remain responsible for all costs and income relating to the asset and are entitled to use the asset. These funds do not represent assets available us.

(R) Provisions and Contingent Liabilities

Provisions are made in accordance with the requirements of IAS37 Provisions, Contingent Liabilities and Contingent Assets and charged as an expense to services in the CIES when we become aware of the obligation, measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of relevant risks and uncertainties. When payments are made, they are charged to the provision. 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 is a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within our control. 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 noted in the Accounts as appropriate.

(S) Carbon Reduction Commitment (CRC) Energy Efficiency Scheme

The second phase of the scheme ended on 31 March 2019.

(T) Interests in Companies and Other Entities

We have material interests in companies and other entities that have the nature of associates and jointly controlled entities requiring it to prepare group accounts. In our single entity accounts, such interests are not recorded as we have no shares in or ownership of any of these organisations.

(U) Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the MiRS. When expenditure to be met from a reserve is incurred, it is charged to the appropriate service in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS 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 our Reserves Strategy. Renewal and Repairs Fund provides for the upkeep of specific assets held. 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 do not represent usable resources.

The Revaluation Reserve and Capital Adjustment Account arise from capital accounting requirements. The former represents the gains on revaluation of non current assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The Available for Sale Financial Instrument Reserve and the Financial Instruments Adjustment Account arise from accounting for financial instruments. The former contains the gains 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.

The Pensions Reserve arises from IAS19 accounting disclosures for retirement benefits and recognises our share of actuarial gains and losses in the Strathclyde Pension Fund and the change in our share of the Pension Fund liability chargeable to the CIES.

The Accumulated Absences Reserve arises from IAS19 accounting disclosures for Short Term Accumulated Benefits and recognises our 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.

(V) VAT

In general, income and expenditure excludes any amounts related to VAT. All VAT collected is payable to H.M. Revenue and Customs (HMRC) and all VAT paid is recoverable. We are not entitled to fully recover VAT paid on a very limited number of expenditure items 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 HMRC.

(W) Presentation of items in other comprehensive income and expenditure for the period

IAS 1 requires that where authorities have transactions that include amounts that are reclassifiable in the surplus or deficit on the provision of services, the items listed in other comprehensive income and expenditure must be grouped into items that will not be reclassified subsequently to the surplus or deficit on the provision of services and will be reclassified subsequently to the surplus or deficit on the provision of services when specific conditions are met. We have no such transactions and have therefore not grouped into amounts that may be reclassifiable and amounts that are not.

Note 31 – Accounting Standards Issued not yet Adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are permitted. We are required to disclose the impact of an accounting change 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 2020/21 Code:

- IFRIC23: Uncertainty over Income Tax treatment
- Amendment to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement

None of the above have any impact on the 2019/20 Accounts.

IFRS16 implementation has been deferred to the 2021/22 Code and will thus be effective from 1 April 2021. This will have a material impact but cannot be quantified at this time.

Note 32 – Events after the Balance Sheet Date

We are required to disclose material matters that arise between the Balance Sheet date (31 March 2020) and the date when the Accounts are authorised for issue which took place at the Council meeting on 25 June 2020. Events taking place after the date of authorisation for issue are not reflected in the Accounts.

The Depute Chief Executive and Chief Financial Officer, being the responsible officer for the Council's affairs, signed the unaudited Annual Accounts on 25 June 2020. Subsequent events taking place after this date are not reflected in the Annual Accounts or notes.

Note 33 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 30, we have made certain judgements about complex transactions or those involving uncertainty about future events and these are:

- Judgement was applied to assess the impact of our involvement in opencast mines. 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 in Scotland. However, this uncertainty is not yet sufficient to provide an indication of assets that might be impaired as a result of a need to close facilities and reduce levels of service provision.
- We have considered our exposure to possible losses and made provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation or it is not probable in our opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 24.
- The UK left the European Union on 31 January 2020 and there are uncertainties around the impacts this will have on the wider economy and the Council. Current assumptions are that this will not significantly impair the value of our assets or change the discount rate and this will continue to be reviewed going forward.

Note 34 – Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The disclosure requirements for sources of estimation uncertainty apply to a limited set of matters. They relate to assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. All three factors apply in applying the assumptions made around the key areas of estimation uncertainty.

These Accounts contain estimated figures that are based on assumptions about the future. 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 Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- PPE assets are depreciated over useful lives that are dependent on the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may require us to review current spending levels on asset repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful lives of assets reduce then depreciation increases and the carrying amount falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £2.331m for each year that useful lives were reduced.

- Estimation of the net liability to pay pensions depends on a number of 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 assets. Strathclyde Pension Fund has engaged expert advice about the assumptions applied. The effects on the net pensions liability of changes in assumptions can be measured for instance, a 0.5% decrease in the real discount rate would result in an increase in the pension liability of £98.941m. However, the assumptions interact in complex ways. During 2019/20, the Pension Fund's actuaries advised our share of the net pension liability has increased by £75.085m.
- At 31 March 2020, the Council had an outstanding gross debtors balance of £14.420m. A review suggested that an allowance for doubtful debts of 37.35% (£5.386m) was appropriate. In terms of financial modelling a 1% increase in the allowance could lead to an additional cost of £0.144m.
- A number of Equal Pay claims have been received covering the period prior to the introduction of Single Status within the Council. Although these claims have still to be subject to Employment Tribunal hearings there remains some uncertainty and therefore provision has been made on the basis of potential estimated employee and Scottish Government liabilities. If the estimation is understated or additional claims are received then further funding may be required.
- We are deemed to control the services provided under PPP. The accounting policies have been applied and the assets under the contract are included within PPE. In terms of financial modelling, indices are used and any increase in these indices above that set in the funding model will require us to identify and allocate additional funding to the Scheme.
- Specialist judgement was applied by the Head of Collections in respect of the remaining heritage asset collections which were not subject to professional valuation. Judgement was based on expertise, knowledge and experience of the items in the collections.
- We utilised the services of Graham and Sibbald to provide the valuations for property, plant and equipment required for 31 March 2020. As a result of Covid-19 and in line with the advice provided by the Royal Incorporation of Chartered Surveyors (RICS), the valuer has provided the following statement:

"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. There is a large degree of uncertainty as to how this outbreak will affect the wider global economy and its sub-markets.

Market activity is being impacted in many sectors. The situation involving the COVID-19 pandemic and its impact upon the commercial marketplace is currently ongoing. Whilst there is no empirical evidence to suggest any impact on pricing, marketing periods will likely become protracted as a result until such time as the Pandemic subsides and the basic functions of the economy can be restarted.

The date of this asset valuation is 31 March 2020 and therefore we must address the issue of valuation certainty in relation to the subjects under valuation. The majority of assets under valuation are operational and are held for their service potential and have been classified as 'specialised'; the approximate split being 80% (operational/specialised) and 20% (non-operational/non-specialised). These specialist assets have been valued using the Depreciated Replacement Cost (DRC) method with reference to build rates (as at 31 March 2020) and is not based on the evidence of sales of similar assets in the market. It is too early to note the impact Covid-19 has had on the commercial marketplace; however we are of the opinion that the impact on build rates will be less severe. Whilst we consider that we can attach less weight to previous market evidence for comparison purposes of the non-specialised assets under valuation, to inform opinions of value, overall we believe the portfolio will be less subject to variances in value as a result of Covid-19 than one which is fully made up of non-operational / non-specialised assets and as such we have a large degree of confidence in the valuations for 2019/20.

In line with the RICS Valuation Practice Alert dated 18 March 2020 and subsequently updated on 15 April 2020, our valuations are reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global."

The valuation report has been used to inform the measurement of assets in these financial statements. As described above the valuation report highlights a material uncertainty due to the impact of Covid-19 which affects Council Dwellings and Other Land and Buildings in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to the Council as at 31 March 2020 and can be relied upon.

The Council has a 5 year rolling programme for asset valuations and has not obtained a complete valuation of all land, buildings and dwellings assets for 2019/20 as this is not required. The Council recognises that there may now be greater uncertainty in markets on which the valuations for the remaining assets were based, and on which asset measurements reflected in these statements have also been calculated.

NOTES TO GROUP ENTITIES



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 year end for these entities is 31 March 2020. 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 page 84. The group entities have been consolidated as follows:

- East Ayrshire Leisure Trust (consolidated as a Structured Entity)
- East Ayrshire Integration Joint Board (consolidated as a Joint Venture)
- Strathclyde Partnership for Transport (consolidated as an Associate)
- Strathclyde Concessionary Travel Scheme Joint Committee (consolidated as an Associate)
- Ayrshire Valuation Joint Board (consolidated as an Associate)

The Council's share of its Associates is as follows:

2018/19						2019/20				
Surplus/ (Deficit) on Operating Activities	Balance Sheet extract					Surplus/ (Deficit) on Operating Activities	Balance Sheet extract			
	Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities			Non Current Assets	Current Assets	Non Current Liabilities	Current Liabilities
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
0.640	13.027	9.291	(3.670)	(1.372)	Strathclyde Partnership for Transport	3.511	15.176	9.498	(0.180)	(1.079)
(0.017)	-	0.121	-	(0.049)	Strathclyde Concessionary Travel Scheme Joint Committee	(0.031)	-	0.107	-	(0.065)
(0.016)	0.165	0.179	(0.183)	(0.032)	Ayrshire Valuation Joint Board	(0.069)	0.336	0.212	-	(0.042)
(0.617)	0.034	0.626	(0.738)	(0.484)	East Ayrshire Leisure Trust	(0.373)	0.022	0.527	(0.096)	(0.436)
1.067	-	1.461	-	-	Integrated Joint Board	1.022	-	2.483	-	-
1.057	13.226	11.678	(4.591)	(1.937)	Total Associates	4.060	15.534	12.827	(0.276)	(1.622)

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 twenty nine members representing the twelve constituent unitary authorities in the West of Scotland plus other interested parties. Of the twenty nine 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 5.48% (2018/19 5.22%). SPT Accounts can be obtained by contacting the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Committee (SCTS)

The Committee comprises the twelve councils within the designated Strathclyde Passenger Transport area. The costs of the scheme are met by the councils. The Council's share of the net assets / liabilities of the Joint Committee has been based on the precept requisition of 5.81% (2018/19 5.69%). A copy of the Annual Accounts for SCTS can be obtained from the Assistant Chief Executive (Business Support), Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF.

Ayrshire Valuation Joint Board (AVJB)

The AVJB 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 East, North and South Ayrshire councils. The allocation is based on the percentage share of revenue and capital requisitions. East Ayrshire Council's allocation is 30% (2018/19 30%).

A copy of the Annual Accounts 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% (2018/19 45.45%). The Leisure Trust is treated as a structured entity within the group, responsible for risks arising from the payment of severance costs.

The Council has provided a letter of comfort to the Leisure Trust to meet their auditors requirements around going concern in the current climate.

A copy of the Annual Accounts for the Leisure Trust can be obtained from the Chief Executive, East Ayrshire Leisure, Dower House, Dean Castle Country Park, Dean Road, Beansburn, Kilmarnock, East Ayrshire, KA3 1XB.

East Ayrshire Integration Joint Board (IJB)

The IJB is a statutory body established to integrate health and social care services between the Council and NHS Ayrshire and Arran and the contribution provided by the Council to the IJB in 2019/20 was £80.774m (2018/19 £77.809m). The IJB Board comprises eight voting members with four made up of East Ayrshire councillors. The IJB is consolidated as a joint venture and therefore the percentage share is 50% (2018/19 50%). A copy of the Annual Accounts for the East Ayrshire Integration Joint Board can be obtained from the Chief Finance Officer, East Ayrshire Council, London Road, Kilmarnock, East Ayrshire, KA3 7BU.

Alignment of Accounting Policies

Details of the Accounting Policies used in compiling the single entity East Ayrshire Council Annual Accounts are contained in Note 30. The Accounting Policies of the Council and its Group Entities noted above are fully aligned with the exception of the period over which non current assets are depreciated.

Category of Asset	Period
Buildings	20 - 60 years
Infrastructure	Up to 120 years
Plant and Equipment	1 - 18 years
Vehicles	1 - 25 years

Inventories

Valuation methods vary slightly across the group with the Council and East Ayrshire Leisure Trust using the lower of cost or net realisable value. None of the other bodies in the group hold inventories.

SUPPLEMENTARY FINANCIAL STATEMENTS



HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2018/19 £m		2019/20 £m
	Income	
(43.953)	Dwelling Rents	(44.426)
(0.344)	Non Dwelling Rents	(0.329)
(0.953)	Any Other Income	(0.908)
0.419	Elimination Of Internal Recharges	0.513
(44.831)	Total Income	(45.150)
	Expenditure	
15.610	Repairs and Maintenance	17.782
10.806	Supervision and Management	11.467
36.573	Depreciation and Impairment of Non Current Assets	34.738
0.664	Bad and Doubtful Debts	0.688
1.493	Any Other Expenditure	1.605
(0.419)	Elimination Of Internal Recharges	(0.513)
64.727	Total Expenditure	65.767
19.896	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	20.617
0.592	HRA Share of Corporate and Democratic Core	0.654
1.332	HRA Share of Non Distributed Costs	(0.449)
21.820	Net Cost of HRA Services	20.822
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(7.148)	Capital Grants and Contributions Receivable	(4.304)
(7.148)	Income	(4.304)
7.657	(Gain) or Losses on Disposals of Assets	3.066
7.657	Expenditure	3.066
0.509	HRA Share of Other Operating Expenditure	(1.238)
	Investment	
(2.230)	Expected Return on Pension Assets	(2.191)
(2.230)	Income	(2.191)
(2.230)	HRA Share of Investment Income	(2.191)
	Financing	
(0.194)	Interest and Investment Income	(0.177)
(0.194)	Income	(0.177)
2.556	Pension Interest Cost	2.710
4.279	Interest Payable and Similar Charges	4.583
6.835	Expenditure	7.293
6.641	HRA Share of Net Finance Expenditure	7.116
26.740	(Surplus) /Deficit on the HRA	24.509

MOVEMENT ON THE HRA & NOTES

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

2018/19 £m		2019/20 £m
(13.049)	Balance on the HRA brought forward	(13.960)
26.740	(Surplus) or Deficit on the HRA	24.509
(27.651)	Adjustments between accounting basis and funding basis under statute	(24.459)
(0.911)	Net (Increase) or Decrease before transfers to / from Reserves	0.050
-	Transfers to/ from Reserves	-
(0.911)	(Increase)/ Decrease on the HRA Balance for the Year	0.050
(13.960)	Balance on the HRA carried forward	(13.910)

Further details of the adjustments between accounting basis and funding basis under statute for the HRA are included in the Movement in Reserves Statement on page 35 for 2019/20 and are shown as Adjustments relating to Pensions, Capital and Other Items.

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:

31 March 2019		31 March 2020		
Total		Flats	Houses	Total
2,329	One Bedroom	1,479	791	2,270
6,165	Two Bedroom	3,043	3,106	6,149
3,425	Three Bedroom	548	2,908	3,456
257	Four Bedroom	15	247	262
4	Five Bedroom	2	3	5
12,180	Total	5,087	7,055	12,142

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:

2018/19		2019/20
£71.90	Average Weekly Rent (52 weeks)	£73.08
3.90%	Current Rent Arrears (as % of Rent Collectable)	3.70%
£2.659m	Total Rent Arrears	2.895
£2.174m	Provision for Bad Debt	2.416

We are required to disclose the loss on void properties and in 2019/20 this amounted to £2.348m. The comparator figure for 2018/19 was £2.507m.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the CIES.

2018/19		2019/20
£m		£m
65.898	Gross Council Tax levied and contributions in lieu	68.996
	Deduct:	
(8.779)	Council Tax Reduction	(9.035)
(7.952)	Other discounts and reductions	(8.182)
(1.865)	Provision for bad and doubtful debts	(1.965)
0.701	Adjustments to previous years Council Tax and Community Charge	0.507
48.003	Net Council Tax Income Transferred to General Fund	50.321

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 2019/20 was £1,311.86 (2018/19 £1,261.40). 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.

BAND	2019/20 £ per year
A	874.57
B	1,020.33
C	1,166.09
D	1,311.86
E	1,723.63
F	2,131.77
G	2,569.05
H	3,214.05

Note 37 – Calculation of the Council Tax base

2018/19		A(d)	A	B	C	D	E	F	G	H	2019/20
Total	Bands										Total
58,158	Properties		26,185	9,360	5,296	6,737	6,354	3,476	997	48	58,453
(1,783)	Exemptions		(1,347)	(264)	(136)	(114)	(75)	(30)	(3)	(3)	(1,972)
	- Disabled Reliefs	83	(10)	(33)	15	25	(47)	(20)	(13)	0	-
(22,100)	Discounts (25%)	(27)	(12,807)	(3,646)	(1,946)	(1,847)	(1,297)	(508)	(94)	(4)	(22,176)
(1,025)	Discounts (50%)	0	(498)	(142)	(88)	(87)	(55)	(25)	(10)	(5)	(910)
50,339	Total equivalent	76	21,377	8,081	4,645	6,143	5,880	3,287	953	42	50,484
	Ratio	5/9	6/9	7/9	8/9	9/9	12/9	15/9	18/9	22/9	
45,567	Band 'D' equivalent	42	14,251	6,285	4,130	6,143	7,726	5,341	1,866	103	45,887
(7,172)	Council Tax Reduction	(18)	(4,375)	(1,159)	(515)	(340)	(264)	(79)	(22)	0	(6,772)
38,395	Band 'D' equivalent after CTR	24	9,876	5,126	3,615	5,803	7,462	5,262	1,844	103	39,115
(1,225)	Bad debt provision										(656)
37,170											38,459

NON DOMESTIC RATE ACCOUNT

The Non-Domestic Rate Account 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.

2018/19		2019/20
£m		£m
40.993	Gross rates levied and contributions in lieu	41.170
	Deduct:	
(11.465)	Reliefs and reductions	(11.709)
(0.835)	Provision for bad and doubtful debts	(0.878)
28.693	Net Non-Domestic Rate Income	28.583
0.199	Prior year pool	(2.082)
(2.819)	Contributions (to)/ from National Non-Domestic Rate Pool	0.859
26.073	Income credited to the Comprehensive Income and Expenditure Statement	27.360

Note 38 – Analysis of Rateable Values

	Number	£m
Shops	1,088	22.325
Industrial & Freight Transport Subjects	960	14.419
Offices (including Banks)	608	6.950
Other	299	3.396
Public Service Subjects	213	6.169
Leisure, Entertainment, Caravans and Holiday Sites	195	3.822
Garages and Petrol Stations	139	1.386
Public Houses	100	2.405
Religious	91	0.860
Health Medical	70	4.727
Education and Training	69	10.663
Care Facilities	51	2.330
Advertising	23	0.060
Cultural	26	0.479
Hotels, Boarding Houses, etc.	23	1.276
Undertaking	22	0.632
Sporting Subjects	417	0.558
Quarries, Mines, etc.	4	0.642
Petrochemical	2	0.225
	4,400	83.324

Note 39 – Nature and Amount of NDR 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 2019/20 was 49p, with a large business supplement of 2.6p.

REMUNERATION REPORT

All information disclosed in the tables in this Remuneration Report will be audited by Deloitte LLP. All other sections of the Remuneration Report will be reviewed by Deloitte LLP to ensure that they are consistent with the financial statements.

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 2019/20 the salary for the Leader of East Ayrshire Council was set by Scottish Ministers at £34,944. The Regulations permit the Council to remunerate a Provost and set out the maximum salary that may be paid to them at £26,208.

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 (i.e. 75% of £34,944 = £26,208). 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 £305,748. Subject to a maximum number of 14 Senior Councillors, the Council is able to exercise flexibility in the determination of the precise number of Senior Councillors and their salary within these limits.

In 2019/20 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 £305,424. The total remuneration to these councillors and to the Leader of the Council and Provost totalled £367,435. 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 was last agreed at a meeting of the full Council on 29 June 2017. The annual return of Members Expenses is available at www.east-ayrshire.gov.uk.

Remuneration of Councillors

2018/19	2019/20
£m	£m
0.668 Salaries	0.686
0.019 Expenses	0.021
0.687 Total	0.707

In addition to Senior Councillors, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of Joint Boards. 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.

REMUNERATION REPORT

The table below excludes pension contributions, disclosed as part of the pension benefits disclosure:

Total Remuneration 2018/19	Name	Designation	Total Remuneration 2019/20
£			£
33,987	D Reid	Leader of the Council	34,907
26,203	E Whitham	Depute Leader	26,875
24,781	T Cook	Leader of the Conservative Group	25,452
24,781	J McGhee	Leader of the Labour Group	25,452
24,781	F Campbell	Senior Councillor	25,452
24,781	B Douglas	Chair of Governance and Scrutiny Committee	25,452
24,781	G Jenkins	Senior Councillor	25,452
24,281	C Leitch	Depute Provost	24,952
24,781	I Linton	Senior Councillor	25,452
24,781	N McGhee	Senior Councillor	25,452
24,781	J McMahan	Senior Councillor	25,452
24,781	C Maitland	Senior Councillor	25,452
24,781	J Roberts	Senior Councillor	25,452
25,490	J Todd	Provost	26,181
4,233	J McFadzean	Convenor Ayrshire Valuation Joint Board	4,233
362,004			371,668

Note 1: The 2019/20 costs relate to salary, fees and allowances; there were no taxable expenses or non-cash benefits in kind. (2018/19 none).

Note 2: Details for 2018/19 at: <https://www.east-ayrshire.gov.uk/Resources/PDF/A/2018-19-Audited-Annual-Accounts.pdf>

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/150 sets the amount of salary for the Chief Executive of the Council for the year ended 31 March 2020. The salaries of the Chief Officers were reviewed as part of the Council's management restructure approved by Cabinet on 29 October 2014. The Council does not pay bonuses or performance related pay. Chief Officers are entitled to reimbursement for business travel and business related costs in accordance with amounts agreed nationally by the SJNC or as approved by the Council. Chief Officers are eligible to join the Local Government Pension Scheme.

The Remuneration of Senior Officers of the Council disclosure noted below has been compiled in accordance with the requirements of the Local Government Finance Circular No 8/2011: Local Authority Accounts – The Remuneration Report.

Total Remuneration 2018/19	Name	Designation	Total Remuneration 2019/20
£			£
127,589	F Lees	Chief Executive (Note 1)	136,473
112,086	AMcPhee	Depute Chief Executive and Chief Financial Officer (Note 1)	116,815
109,082	K Kelly	Depute Chief Executive: Safer Communities (Note 3)	115,382
112,086	E Fraser	Director of Health & Social Care Partnership (Note 2)	115,382
90,307	D Mitchell	Chief Governance Officer (Note 1)	94,151
551,150			578,203

Note 1: 2019/20 costs relate to salary, fees and allowances; there were no taxable expenses or compensation for loss of employment and remuneration for the Chief Executive, Depute Chief Executive and Chief Financial Officer, and the Chief Governance Officer includes fees paid in respect of the European Parliamentary election (23 May 2019) and the UK Parliamentary General Election (12 December 2019). Fees received were £2,598, £1,433 and £1,175 respectively.

Note 2: The Director of Health and Social Care Partnership is the Chief Officer of the Integration Joint Board (IJB). These costs are replicated in the IJB Accounts.

Note 3: Details for 2018/19 at: <https://www.east-ayrshire.gov.uk/Resources/PDF/A/2018-19-Audited-Annual-Accounts.pdf>

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 2019/20. 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.

2018/19 Total	Remuneration band	2019/20 Officers	Number of Employees		Left During Year
			2019/20 Teachers	2019/20 Total	
113	£50,000 – £54,999	55	89	144	-
40	£55,000 – £59,999	31	55	86	1
17	£60,000 – £64,999	22	26	48	1
8	£65,000 – £69,999	4	7	11	-
2	£70,000 – £74,999	6	3	9	1
3	£75,000 – £79,999	1	-	1	-
9	£80,000 – £84,999	1	1	2	1
-	£85,000 – £89,999	6	2	8	1
4	£90,000 – £94,999	2	1	3	-
-	£95,000 – £99,999	1	-	1	-
-	£100,000 – £104,999	-	-	-	-
1	£105,000 – £109,999	-	-	-	-
2	£110,000 – £114,999	-	-	-	-
-	£115,000 – £119,999	3	-	3	-
-	£120,000 – £124,999	-	-	-	-
1	£125,000 – £129,999	-	-	-	-
-	£130,000 – £134,999	1	-	1	-
200		133	184	317	5

Pension Benefits

Pension benefits for councillors and employees (excluding teachers) are provided through the Local Government Pension Scheme. This is a contributory scheme with employee contributions of between 5.5% and 12.0% dependent on salary. Membership of the pension scheme is voluntary and not all councillors and employees are members. Councillors' pension benefits are based on career average pay and pay for each year or part year ending 31 March is adjusted for the increase in the cost of living, as measured by the appropriate indices. 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 was a final salary pension scheme up to 31 March 2015. For service from 1 April 2015 employees are in a career revalued actual pension scheme and each year an amount of pension is earned that is then revalued for inflation until retirement.

At retirement members may opt to commute pension for a lump sum up to the limit set by the Finance Act 2004. The current accrual rate is 1/49th of final pensionable salary. 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 table shows pension entitlements and the contributions made by the Council.

Name and Position Held	In-year Pension Contributions			Accrued Pension Benefits	
	For year to	For year to		As at	Difference
	31 March	31 March		31 March	from
	2020	2019		31 March 2019	
	£	£ (Note 1)		£000	£000
D Reid	6,737	6,559	Pension	8	1
Leader of the Council			Lump Sum	3	-
E Whitham	5,009	4,879	Pension	2	1
Depute Leader			Lump Sum	-	-
T Cook	4,912	4,783	Pension	6	1
Leader of the Conservative Group			Lump Sum	2	-
J McGhee	4,912	4,783	Pension	5	1
Leader of the Labour Group			Lump Sum	2	-
B Douglas	4,912	4,783	Pension	1	1
Chair of Governance and Scrutiny Committee			Lump Sum	-	-
G Jenkins	4,539	-	Pension	1	1
Senior Councillor			Lump Sum	-	-
C Leitch	4,816	4,686	Pension	1	1
Depute Provost			Lump Sum	-	-
I Linton	4,912	4,783	Pension	6	1
Senior Councillor			Lump Sum	2	-
N McGhee	4,912	4,783	Pension	5	1
Senior Councillor			Lump Sum	2	-
J McMahan	4,912	4,783	Pension	1	1
Senior Councillor			Lump Sum	-	-
C Maitland	4,912	4,783	Pension	1	1
Senior Councillor			Lump Sum	-	-
J Roberts	4,912	4,783	Pension	1	1
Senior Councillor			Lump Sum	-	-
J Todd	3,368	4,920	Pension	6	1
Provost			Lump Sum	2	-
J McFadzean	817	817	Pension	1	1
Convenor Ayrshire Valuation Joint Board			Lump Sum	-	-
Total	64,582	60,125			

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

Note 2 Councillor F Campbell is not a member of the Strathclyde Pension Fund.

Senior Employees

The pension entitlements and the contributions made by the Council are shown in the following table and 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 are set by Strathclyde Pension Fund.

Name and Post Title	In-year Pension Contributions			Accrued Pension Benefits	
	For year to	For year to		As at	Difference
	31 March	31 March		31 March	from
	2020	2019		31 March 2019	
	£	£		£000	£000
F Lees	25,838	24,625	Pension	79	5
Chief Executive			Lump Sum	154	4
A McPhee	22,269	21,633	Pension	66	4
Depute Chief Executive and Chief Financial Officer			Lump Sum	129	4
K Kelly	22,269	21,053	Pension	46	3
Depute Chief Executive: Safer Communities			Lump Sum	74	2
E Fraser	22,269	21,633	Pension	54	4
Director of Health and Social Care Partnership			Lump Sum	92	3
D Mitchell	17,944	17,429	Pension	42	3
Chief Governance Officer			Lump Sum	68	2
Total	110,589	106,373			

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 pension's 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 below. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on a calculation provided by the Scottish Public Pensions Agency. In 2019/20 £0.891m was approved either by Cabinet or under the Head of Human Resources' delegated authority.

2018/19					2019/20					
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
	£000	£000	£000	£000			£000	£000	£000	£000
3	-	-	16	19	£0 – £20,000	11	-	-	98	-
-	-	-	-	-	£20,001 – £40,000	1	-	-	22	-
1	-	-	43	-	£40,001 – £60,000	2	-	-	89	6
-	-	-	-	-	£60,001 – £80,000	1	-	-	48	27
1	-	-	83	-	£80,001 – £100,000	-	-	-	-	-
-	-	-	-	-	£100,001 – £150,000	1	-	-	35	67
-	-	-	-	-	£150,001 – £200,000	1	-	-	87	70
-	-	-	-	-	£200,001 – £250,000	1	-	-	149	99
-	-	-	-	-	£250,001 – £300,000	1	-	-	151	137
-	-	-	-	-	£300,001 – £350,000	1	-	-	212	130
5	-	-	142	19		20	-	-	891	536

The Compensatory Added Years (CAY) 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.

Trade Union Facility Time Statement

Under the Trade Union (Facility Time Publication Requirements) Regulation 2017, the Council is required to collect and publish data in relation to its usage and spend of trade union facility time in respect of employees who are trade union representatives.

During 2019/20 there were 38 employees who were trade union representatives (35.39 FTE) and the percentage of time spent on facility time was:

% of Time	No. of Representatives
0	2
1 – 50	36
51 - 99	0
100	0

The percentage of the total paybill spent on facility time was 0.05% and the time spent on paid trade union activities as a percentage of total paid facility time hours was 6.28%.

These disclosures are not subject to testing as part of the year-end audit. Full details for the period 1 April 2019 to 31 March 2020 are available on the Council website at <https://www.east-ayrshire.gov.uk/JobsAndCareers/EqualityinEmployment.aspx>

Councillor Douglas Reid *Leader of the Council* 24 September 2020

Fiona Lees *Chief Executive* 24 September 2020

COMMON GOOD ACCOUNT

Common Good is used to denote property of the former Burghs and was reserved for purposes which promoted the general good of the inhabitants. We administer these Funds but they are not our assets and are not included in our Balance Sheet.

Movement in Reserves Statement for the Year ended 31 March 2020

2018/19			2019/20		
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
0.379	8.653	9.032	0.381	8.353	8.734
(0.271)	-	(0.271)	(0.271)	-	(0.271)
-	(0.027)	(0.027)	-	(2.576)	(2.576)
0.273	(0.273)	-	0.273	(0.273)	-
0.381	8.353	8.734	0.383	5.504	5.887

Comprehensive Income and Expenditure Statement for the Year ended 31 March 2020

2018/19			2019/20		
Expenditure	Income	Net	Expenditure	Income	Net
£m	£m	£m	£m	£m	£m
0.273	-	0.273	0.273	-	0.273
-	(0.002)	(0.002)	-	(0.002)	(0.002)
		0.271 (Surplus) or Deficit			0.271
		0.027 (Surplus)/ Deficit on the Revaluation of Non Current Assets			2.576
		0.298 Total Comprehensive (Income)/ Expenditure			2.847

Balance Sheet at 31 March 2020

2018/19		2019/20
£m		£m
8.353	Property Plant and Equipment	5.504
8.353	Non Current Assets	5.504
0.381	Short Term Investments - Loans Fund	0.383
0.381	Current Assets	0.383
8.734	Net Assets	5.887
0.381	Usable Reserves: Capital and Revenue Reserves	0.383
8.353	Unusable Reserves: Revaluation Reserve	5.504
8.734	Net Reserves	5.887

Notes – Property Plant and Equipment (Other Land and Buildings)

Cost or Valuation:	Darvel	Newmilns	Cumnock	Kilmarnock	Total
	£m	£m	£m	£m	£m
At 1 April 2019	1.276	0.036	1.151	7.249	9.712
Revaluations	(0.617)	-	(0.466)	(3.111)	(4.194)
At 31 March 2020	0.659	0.036	0.685	4.138	5.518
Depreciation and Impairment:					
At 1 April 2019	(0.194)	-	(0.171)	(0.994)	(1.359)
Depreciation charge	(0.039)	(0.001)	(0.034)	(0.199)	(0.273)
Depreciation written out - Revaluations	0.233	-	0.192	1.193	1.618
At 31 March 2020	-	(0.001)	(0.013)	-	(0.014)
Net Book Value at 31 March 2019	1.082	0.036	0.980	6.255	8.353
Net Book Value at 31 March 2020	0.659	0.035	0.672	4.138	5.504

TRUSTS & BEQUESTS

We administer a number of charitable funds registered with the Office of the Scottish Charities Regulator. These are not assets available to the Council and are not included in the Balance Sheet. The Trusts produce separate annual accounts, published at www.oscr.org.uk

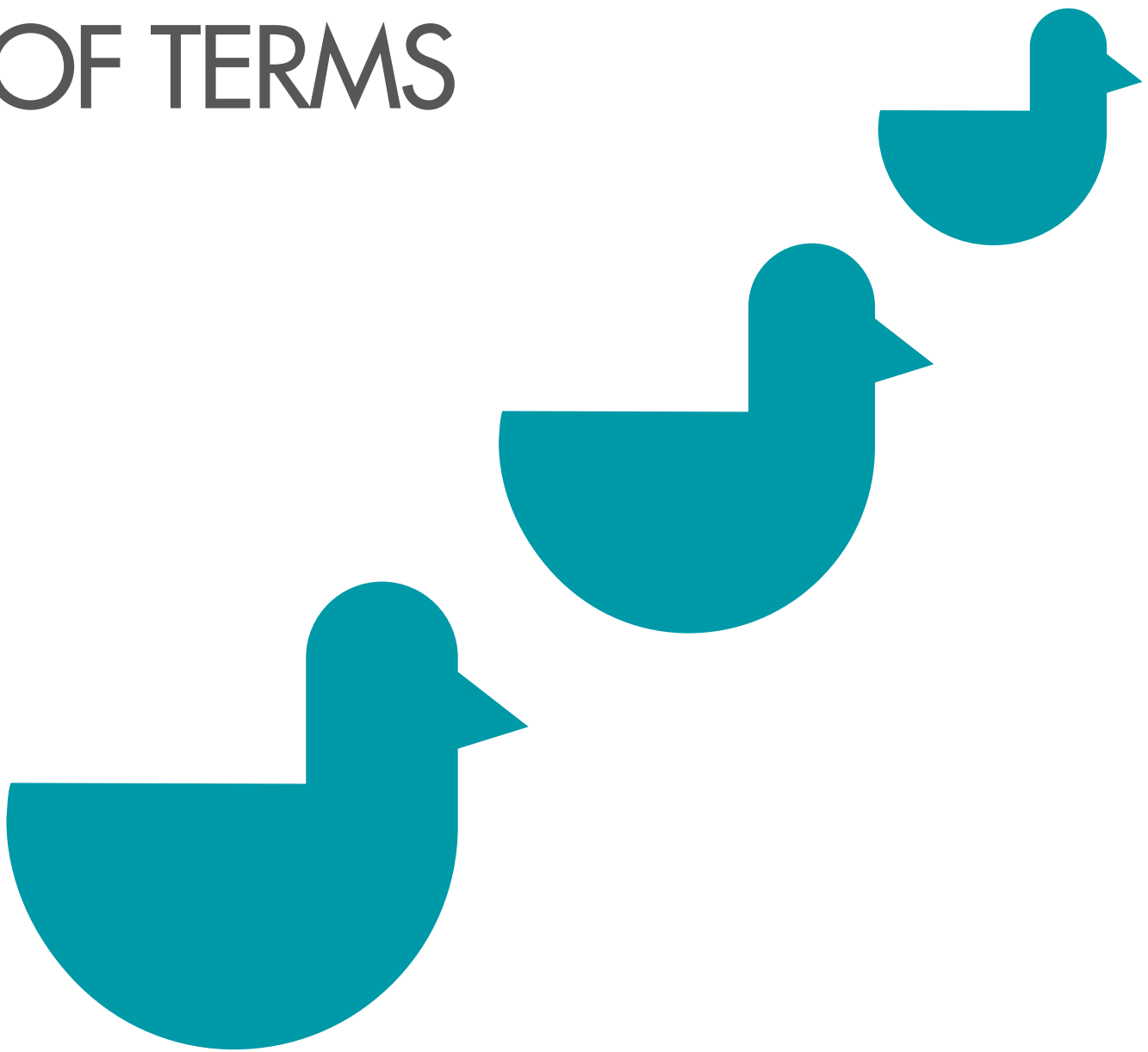
2018/19				2019/20		
Capital Fund	Revenue Fund	Total Funds	Fund Balances	Capital Fund	Revenue Fund	Total Funds
£	£	£		£	£	£
34,020.91	320,107.98	354,128.89	Opening Balances at 1 April 2019	34,020.91	266,866.07	300,886.98
-	(54,688.70)	(54,688.70)	Expenditure	(1,030.00)	(99,778.12)	(100,808.12)
-	1,446.79	1,446.79	Income	-	2,748.66	2,748.66
-	(53,241.91)	(53,241.91)	Surplus/ (Deficit)	(1,030.00)	(97,029.46)	(98,059.46)
34,020.91	266,866.07	300,886.98	Closing Balance at 31 March 2020	32,990.91	169,836.61	202,827.52

2018/19		2019/20
£	Balance Sheet as at 31 March 2019	£
1,030.00	Investments - External	-
299,856.98	Investments - Loans Fund	202,827.52
300,886.98		202,827.52
	Financed By:	
34,020.91	Capital Funds	32,990.91
266,866.07	Revenue Funds	169,836.61
300,886.98	Closing Balance at 31 March 2020	202,827.52

2018/19	Name	Origin and Purpose	Loans Fund	External Investment	Total
			£	£	£
262,368.70	Archibald Taylor Fund (SC019308)	To provide special nursing or convalescent treatment or a holiday during convalescence	166,424.77	-	166,424.77
1,795.94	Mrs E McWhirter Trust (SC025073)	To maintain burial grounds at Dalmellington	1,820.23	-	1,820.23
36,722.34	Miss Annie Smith Mair Bequest (SC021095)	To assist persons from Newmilns and Greenholm	34,582.52	-	34,582.52
300,886.98			202,827.52	-	202,827.52

We also administer 33 Trusts not registered with OSCR with total assets at 31 March 2020 of £180,252 (as 31 March 2019 £180,640). The combined income of these Trusts in 2019/20 was £1,216 and expenditure was £1,604. (In 2018/19 this was £779 and £250 respectively).

GLOSSARY OF TERMS



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 non current asset or expenditure which adds to, and not merely maintains, the value of an existing non current 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.

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.

Curtailements (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 non current 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.

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 Annual Accounts 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.

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 Annual Accounts. 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 non current or financial asset below the valuation held on the balance sheet.

Infrastructure Assets. Non current 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 assessment of users made on the basis of the Annual Accounts.

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 non current 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 Council 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 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.

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

Renewal and Repairs 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 non current assets not yet realised through sales.

Scottish Futures Trust (SFT). An infrastructure delivery company owned by the Scottish Government.

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

Subsidiary. An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

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 non current asset.

INDEPENDENT AUDITORS REPORT



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST AYRSHIRE COUNCIL AND THE ACCOUNTS COMMISSION

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of East Ayrshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analysis and note to Expenditure and Funding Analysis, Movement in Reserves Statements, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Account, the Common Good Account, the Trusts and Bequests and notes to the financial statements, including a summary of significant accounting policies. 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 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of its income and expenditure of the council and its group 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 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the Council of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Material uncertainty relating to valuation of land and buildings

We draw attention to note 34 in the financial statements, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's land and buildings portfolio. As noted by the Council's valuers, the outbreak has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the land and buildings portfolio at the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Depute Chief Executive & Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Depute Chief Executive & Chief Financial Officer and East Ayrshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Depute Chief Executive & Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Depute Chief Executive & Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Depute Chief Executive & Chief Financial Officer is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

East Ayrshire Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of our auditor's report.

Other information in the annual accounts

The Depute Chief Executive & Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

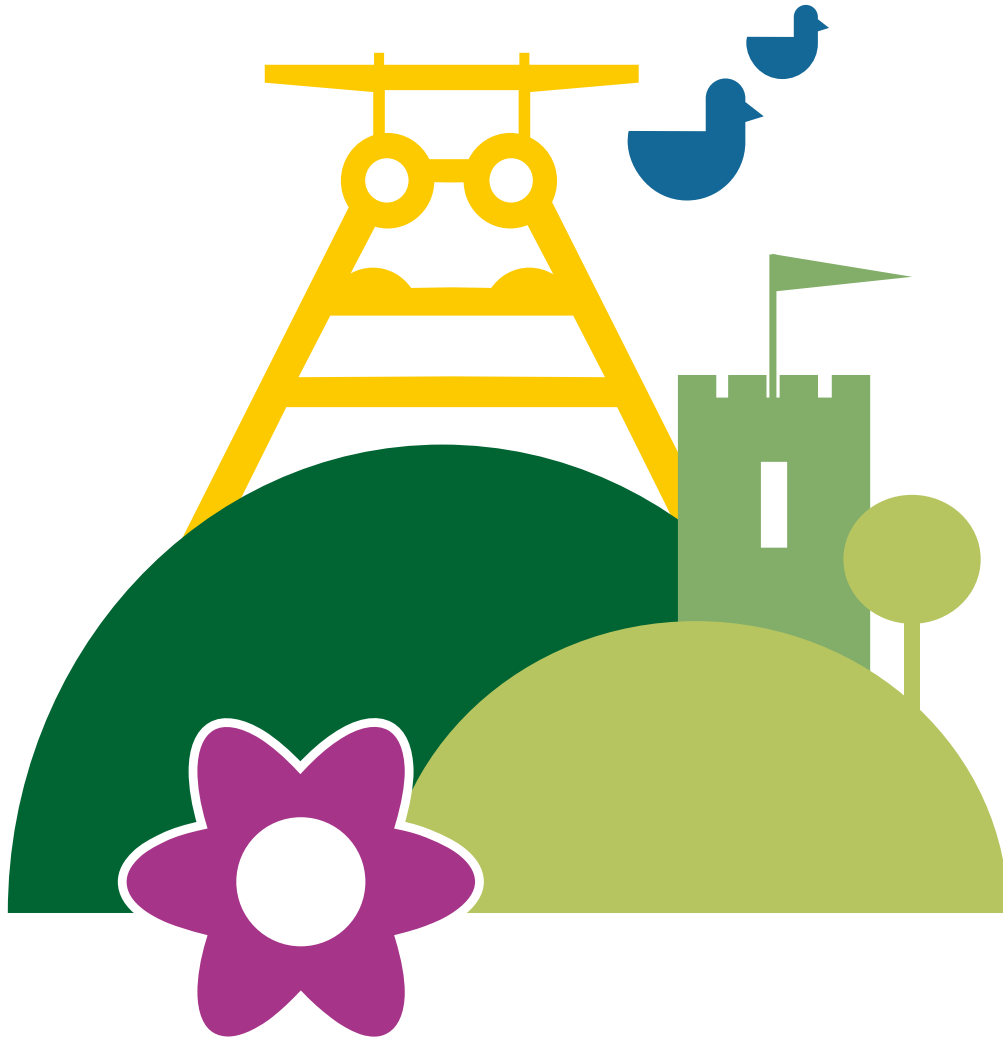
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24 September 2020



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