

Annual Accounts 2018-19



North Ayrshire Council
Comhairle Siorrhachd Àir a Tuath

Contents

	Page		Page	
Narrative & Assurance Statements				
Management Commentary	1	12. Property, Plant and Equipment	55	
Statement of Responsibilities	17	13. Fair Values	57	
Remuneration Report	18	14. Heritage Assets	57	
Annual Governance Statement	27	15. Intangible Assets	58	
Independent Auditor's Report	32	16. Assets Held for Sale	59	
Core Financial Statements				
Comprehensive Income and Expenditure Statement (CIES)	35	17. Capital Expenditure and Financing	59	
Movement in Reserves Statement	36	18. Long Term Debtors	61	
Balance Sheet	37	19. Private Finance Initiatives, Non Profit Distributing Models and similar contracts	61	
Cash Flow Statement	38	20. Financial Instruments	62	
Supplementary Statements				
Housing Revenue Account (HRA)	39	21. Risks arising from Financial Instruments	65	
Common Good and Trusts	41	22. Inventories	68	
Non Domestic Rates Account	43	23. Short Term Debtors	68	
Council Tax Account	44	24. Short Term Borrowing	68	
Notes to the Accounts:				
Notes to the CIES				
1. Expenditure and Funding Analysis	46	Notes to the Cash Flow Statement		
2. Expenditure and Income analysed by nature	48	33. Cash Flow – Operating Activities	78	
3. Other Operating Expenditure and Income	48	34. Cash Flow – Investing Activities	79	
4. Financing and Investment Income and Expenditure	49	35. Cash Flow – Financing Activities	79	
5. Material Items	49	36. Cash Flow – Cash and Cash Equivalents	79	
6. Agency Services	49	37. Notes to the Group Accounts	79	
7. External Audit Costs	49			
8. Grant Income	50	Accounting Policies and Assumptions		
9. Leases	51	Assumptions made about the Future and other major sources of Estimation Uncertainty	84	
Notes to the MiRS				
10. Adjustments between Accounting basis and Funding basis under Regulations	52	39. Accounting Standards issued, not yet Adopted	84	
11. Transfer to / (from) Funds	54	40. Critical Judgements in applying Accounting Policies	85	
41. Accounting Policies				86
Glossary of Terms				
94				





Management Commentary

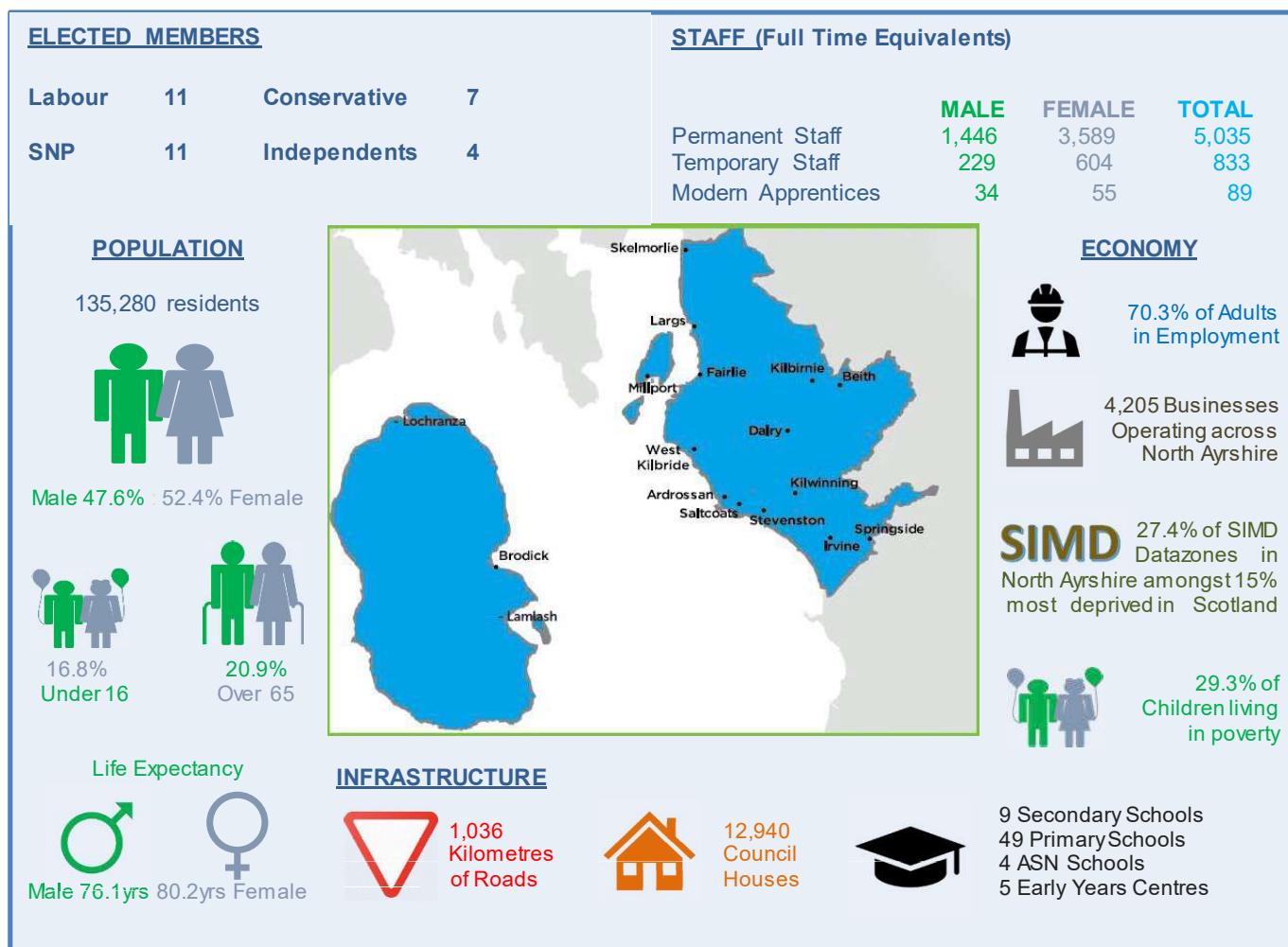
The Management Commentary sets out the key messages on the Council's financial and service performance for 2018/19 and looks ahead to the challenges and risks which we will face as we endeavour to meet the needs of the people of North Ayrshire.

The Annual Accounts present the financial position and performance of the Council demonstrating the stewardship of the public funds that support the Council's vision and key priorities. The financial position of the wider Council group is also presented.

The format and content of the Annual Accounts accord with the Code of Practice on Local Authority Accounting in the United Kingdom.

North Ayrshire

We begin by setting out some key facts about North Ayrshire.



Vision and Mission

We want North Ayrshire to be a great place to live, work and invest in. Our ambitions and aspirations are outlined in the current Council Plan 2015-2020 which sets out how we work with our communities and partners to deliver our vision:

“To be a leading organisation defined by excellence and innovative services”

Our Council Mission and Strategic Priorities set out what we will do to address the challenges we face and maximise opportunities to improve outcomes for all of our residents. This is illustrated below:

To improve the lives of North Ayrshire people and develop stronger communities



Growing our economy, increasing employment and regenerating towns



Working together to develop stronger communities



Helping all of our people to stay safe, healthy and active



Ensuring people have the right skills for learning, life and work



Protecting and enhancing the environment for future generations

The Council Plan, which supports North Ayrshire Community Planning Partnership's Local Outcome Improvement Plan, is underpinned by a range of strategies and plans, including Directorate Plans. These plans and strategies set out what we aim to achieve, how we will do this and the resources we need to deliver the desired outcome.

Consultation is currently underway to inform the new Council Plan for the period 2019 to 2024. The key strategic themes, which are set out below, support the vision of a North Ayrshire which is Fair for All. The revised Council Plan can be found at:

<https://www.north-ayrshire.gov.uk/council/strategies-plans-and-policies/north-ayrshire-council-plan.aspx>



How are we doing?

The Council continues to develop its approach to performance management to ensure it is robust and continues to embrace best practice. The reporting of performance to Elected Members, the public and stakeholders ensures accountability for the services we deliver.

Performance Management Framework

Our Performance Management Framework, which was updated during 2018/19, has four parts: Plan, Do, Learn and Act, setting out our approach to continuously reviewing what we do to improve our services.

Our Framework has a “golden thread” between individual employee performance and Council and partnership performance supporting delivery of priorities and longer term outcomes.

A hierarchy of challenge around performance is in place from officer peer review through to Cabinet and Audit and Scrutiny Committee.



National Performance Framework



National Performance Management Framework

The national framework seeks to measure outcomes which will evidence improving the quality of life for people across Scotland. Further information on the National Framework can be found at:

<http://nationalperformance.gov.scot/>

The mission, vision and outcomes within the draft Council Plan 2019-24 align with the purpose, values and outcomes adopted by the National Performance Management Framework.

Annual Performance Report

Our Annual Performance Report outlines our performance over the past year. We continue to improve our public reporting to make it more accessible, including greater use of infographics. The most recent annual and summary reports can be viewed at:

www.north-ayrshire.gov.uk/council/performance-and-spending/ council-performance.aspx

Despite a continuing challenging financial climate in 2018/19, 77% of our key performance indicators were on target with 4% slightly adrift and 19% significantly adrift. This compared with 75%, 18% and 7%, respectively, in 2017/18 with 56% of performance indicators showing an improving long term trend.

Performance Indicators



Some examples of improving performance include:



Our significantly enhanced kerbside recycling service continues to drive improvements in household waste recycling. The "Right Stuff, Right Bin" waste awareness campaign has been focussed on reducing contamination in recycling containers and further improvements are anticipated following the full implementation of the enhanced recycling and waste collection service from April 2019.



Our Street Cleanliness Score has improved from 92.2 in 2017/18 to 94.5 in 2018/19. Delivery of our Improvement Action Plan continues to target resources to hot spot areas of littering as well as aligning the Environmental Enforcement Team to the same areas as a means of intervention and prevention.

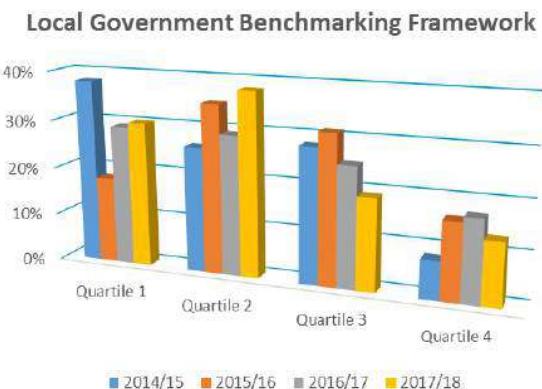


The performance of North Ayrshire school leavers has increased once again with 95.6% of 2018 leavers moving to positive post school destinations, compared to 93.4% in 2017 and exceeding all benchmark comparisons. Educational attainment in the areas of literacy and numeracy results have continued to rise with North Ayrshire performance levels exceeding benchmark comparators for Levels 4, 5 and 6. We continue to focus on developing literacy and numeracy skills, meeting the needs and aspirations of all learners.

Benchmarking

Learning from others is a key strand of our approach to continuous improvement. We use benchmarking with other organisations, both public and private sector, helping us learn from the high performance and good practice of others. This year we have enhanced our approach by analysing the Best Value reviews of other Councils.

Local Government Benchmarking Framework



We continue to participate in the Local Government Benchmarking Framework (LGBF). The LGBF helps councils understand their relative performance and creates opportunities to identify and share good practice.

The latest LGBF report paints a positive picture of performance across our services with performance improving in 2017/18 (the most recent data published) in almost half of our indicators. Performance in 68.5% of our indicators is in the top two quartiles, compared to 58.2% in 2016/17.

We use the LGBF to drive improvements by identifying the areas where we want to improve and developing plans to maintain or improve performance in these areas. These priority indicators have performed well with 18 of 24 showing improvement for 2017/18. We will continue to take a targeted approach to improving performance.

Further information on how we compare can be viewed at the mylocalcouncil portal:

<http://scotland.mylocalcouncil.info/Data.aspx?id=S12000021&lang=en-GB>



Highlights during 2018/19

During the 2018 Year of Young People, North Ayrshire hosted the Scottish Youth Parliament, a Brexit Event and the National Awards welcoming people from across Scotland.



North Ayrshire and NHS Ayrshire and Arran were selected as a Trailblazer site for the new Public Health priority relating to diet and healthy weight.

Inspiring Places

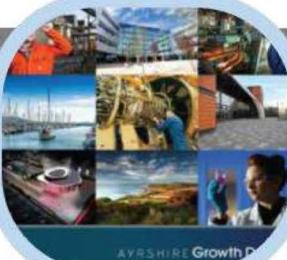


The further roll out of Participatory Budgeting saw communities in the Three Towns Locality deciding how to spend the £0.750m Grounds Maintenance budget.



The Ayrshire Growth Deal was secured in partnership with the Scottish and UK Governments for a package of over £250m to support regeneration, growth, employability, and connectivity.

Fair for All



Ahead of the 2020 implementation date, 12 early years establishments are delivering 1140 hours of Learning and Childcare with a further 11 due to start from 2019.



A Council for the Future



Literacy and numeracy attainment for school leavers improved at all levels with some of the highest levels recorded to date and further reductions in the poverty related attainment gap across North Ayrshire.

The HSCP Money Matters team has assisted in putting more than £9.5m into the pockets of our most vulnerable residents, supporting 629 appeals and dealing with 3,677 Advice Line enquires



During 2018/19 a further 64 new Council Houses were completed. This brings the total completed to 364 over the past 7 years.

Aspiring Communities

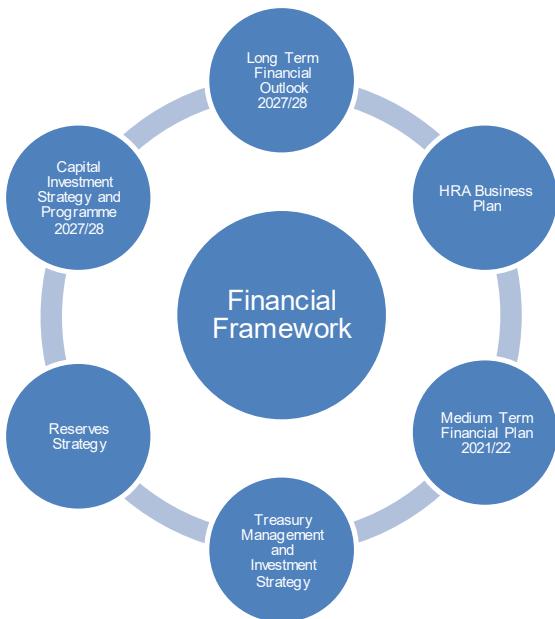


Financial Planning Framework

Robust financial planning and management ensures resources are targeted to our key outcomes. The financial framework which supports this is shown in the chart opposite:

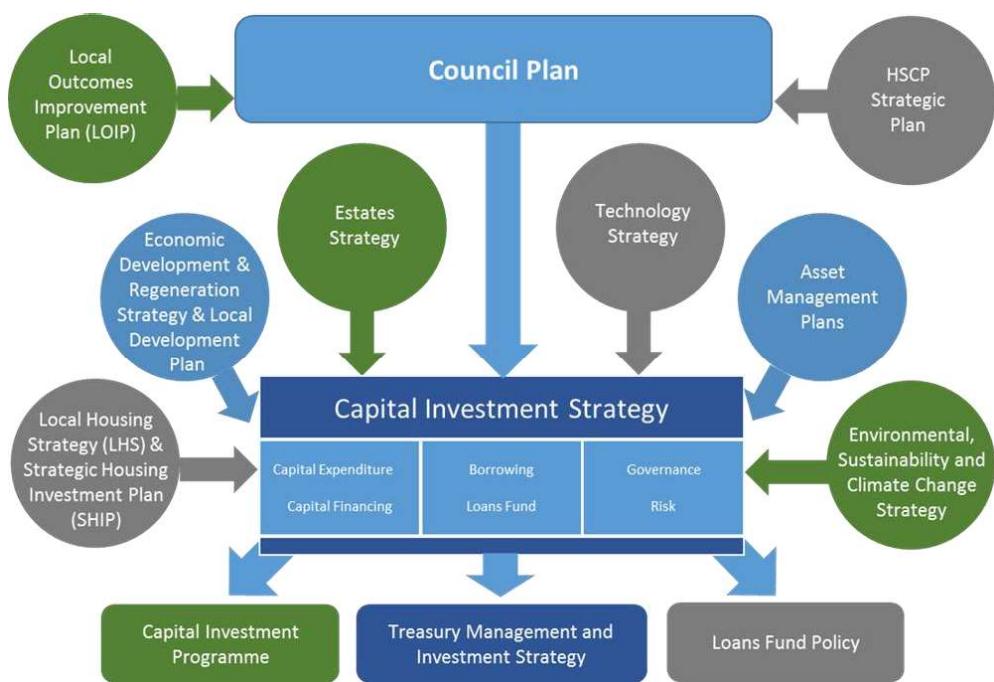
Most day to day income and expenditure on service provision is provided in the Comprehensive Income and Expenditure Statement on page 35 with information on Housing services provided in the Housing Revenue Account (HRA) (pages 39 to 40).

Alongside our day to day spending we invest in the assets which support delivery of our key priorities including schools, houses, infrastructure and regeneration activities.



Capital Investment Strategy

The Capital Investment Strategy, set out below, is the framework for assessing investment, focussing on outcomes and ensuring affordability through our Treasury Management and Investment Strategy and Loans Fund Policy. Investment is balanced between the need to maintain current assets and infrastructure and our ambitions for the development or acquisition of new assets.



Workforce Planning

We have developed a robust framework to support our workforce planning. These plans are an integral component of our budget strategy and transformation programme.

Focussed on service re-design and supported by robust data analytics a methodology has been developed to assist services to reshape the workforce to meet future needs. The key components that will ensure we have the most effective workforce to meet the needs of our communities include; spans of control, career development and succession planning and training and development.



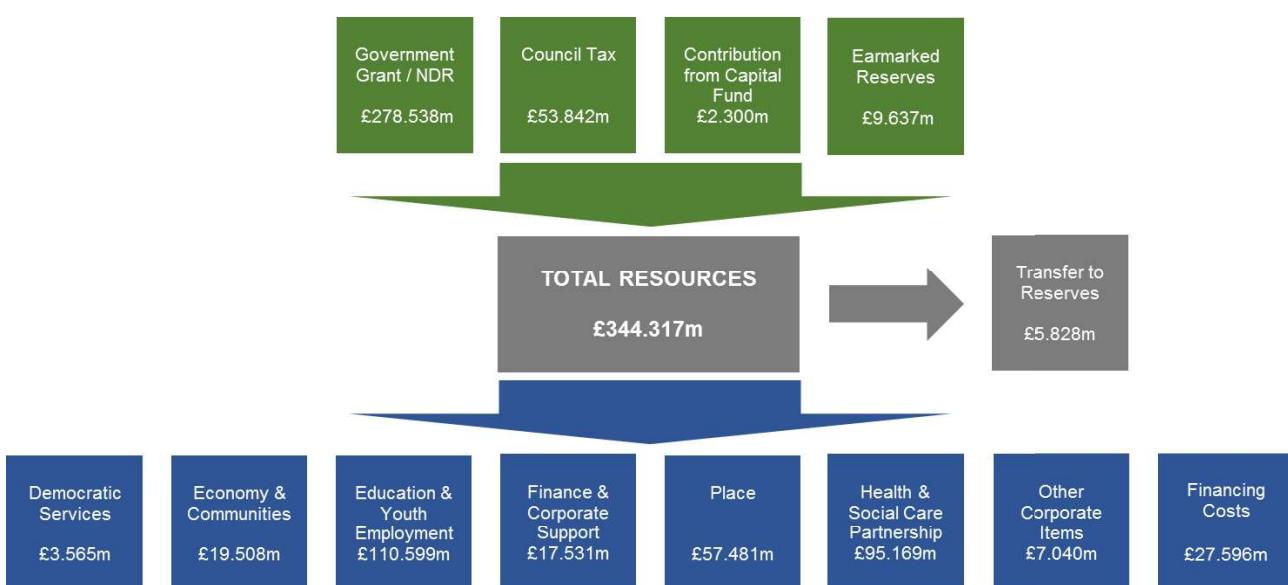
Financial Performance

Financial information is part of the Council's performance management framework with regular reporting to Cabinet. During 2018/19 reporting on the financial performance of the Health and Social Care Partnership to the Audit and Scrutiny Committee has been in place reflecting the historic challenge of the Partnership delivering services within its agreed budget and the financial risk this creates for the Council.

This section summarises our financial performance for 2018/19.

(a) General Fund Revenue Expenditure 2018/19

For 2018/19 the final budgeted spend was £344.014m on General Fund Services. The flow of actual income and expenditure during 2018/19 is highlighted below. After earmarking £5.828m to meet future year expenditure requirements, a final breakeven position is reported.



As part of the Medium Term Financial Plan for 2019/20 to 2021/22, North Ayrshire Council agreed to use £2.3m of capital receipts to meet the costs of transformational projects across the Council. The costs of these projects were incurred during 2018/19 with the application of these capital receipts contributing to the in-year underspend which will support the Council's expenditure plans for 2019/20.

Overall services underspent by 0.25% of available budget, this varied from an overspend of 0.4% (£0.436m) within Education and Youth Employment to an underspend of 4.34% (£0.166m) within Chief Executives and Democratic Services.

Other major variances during 2018/19 relate to capital financing charges (£2.7m), reflecting the agreed Treasury Management strategy to carry this forward through the Loans Fund Reserve, the release of Equal Pay related provisions which are no longer required (£0.5m) and higher than budgeted income across a range of services (£3.3m), partly offset by increased provision for bad debts and impairments, £0.7m. In addition to the planned underspend and resources carried forward to the Loans Fund reserve other carry forwards include additional grant income received during the year (£0.3m) and previously agreed expenditure commitments (£0.5m).

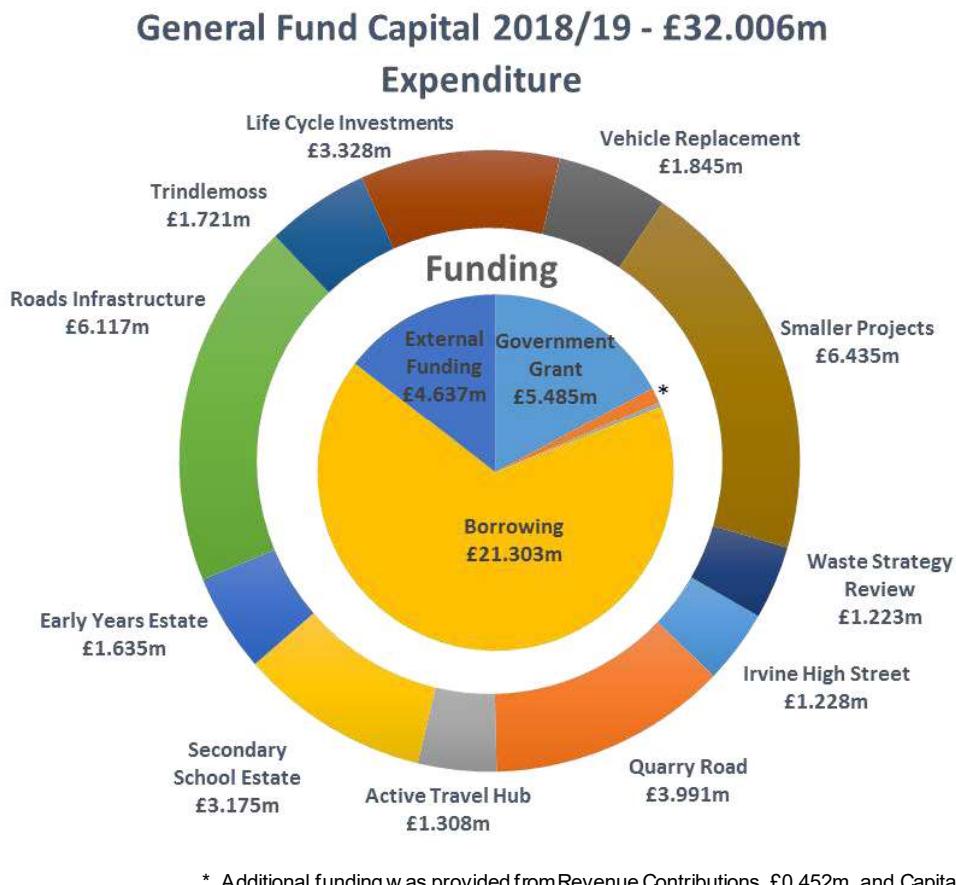


The Council's contribution to the Health and Social Care Partnership (HSCP) includes an additional £1.5m which has been drawn down to offset an in year overspend of £0.8m and facilitate the partial repayment of the HSCP's cumulative deficit which now stands at £5.1m. Repayment of the balance of this deficit is anticipated over the period 2019/20 to 2022/23 and this has been incorporated into the HSCP Medium Term Financial Plan.

During 2018/19 in year council tax collection was 94.3% (94.8% in 17/18). Work is being undertaken in 2019/20 to identify opportunities to improve in year collection.

(b) General Fund Capital Expenditure 2018/19

In 2018/19 the final budget for capital investment was £33.060m, with 96.8% of this being delivered. Further details, including comparative figures for 2017/18 are provided in Note 17 on page 59. The exhibit below identifies the key projects and summarises how the programme was funded:



(c) General Fund Reserves

Reserves are an important component of our Financial Framework, supporting financial stability and providing flexibility to deliver change and transformation.

Unearmarked reserves ensure we can manage any unexpected financial demands without disrupting delivery of Council services. The level of unearmarked reserves reflects the current financial environment and degree of risk and uncertainty faced.

When the Council set its budget for 2018/19 it approved a minimum level of unearmarked reserves of 2%. This was confirmed on 27 February 2019 with an approved value of £6.912m. The Council keeps its reserves policy under review, particularly as the level of earmarked reserves reduce over the next few years due to the delivery of commitments.



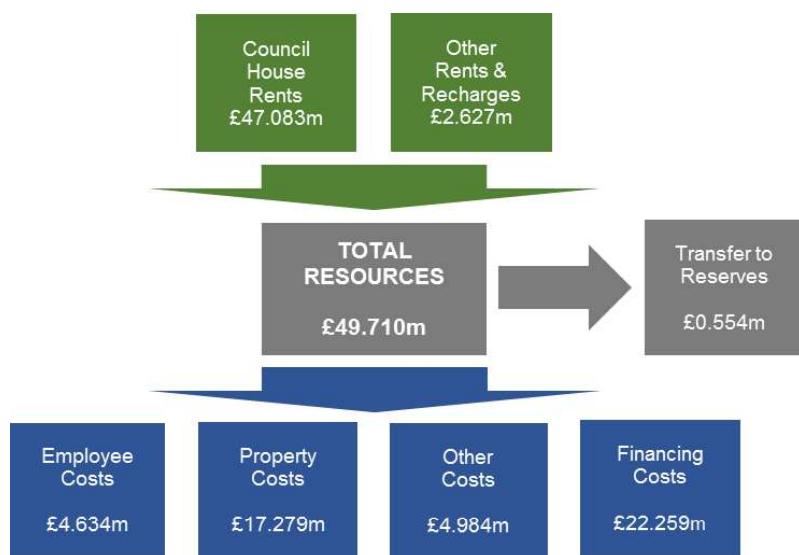
Full details of the Council's General Fund Reserves are shown in Note 11 on page 54, along with information on future commitments.

The diagram below summarises the movement in useable reserves during 2018/19.



(d) Housing Revenue Account 2018/19

For 2018/19 the budgeted expenditure on the Housing Revenue Services was £50.190m. An analysis of actual funding and expenditure is provided below.



The Housing Revenue Account performance for 2018/19 delivered a budgeted break-even position in line with the agreed budget. This included a contribution of £0.6m to the HRA reserves to our Council House building programme.

The main factors contributing to this position were a net saving on capital financing charges, reflecting the agreed Treasury Management Strategy, £0.7m and lower than anticipated costs for supplies and services, £0.1m; partly offset by additional costs for severance arising from the voluntary early release programme (£0.2m); additional project management costs, (£0.1m); and an under recovery of income from rents arising from increased vacant units linked to the refurbishment and new build programmes, (£0.5m).

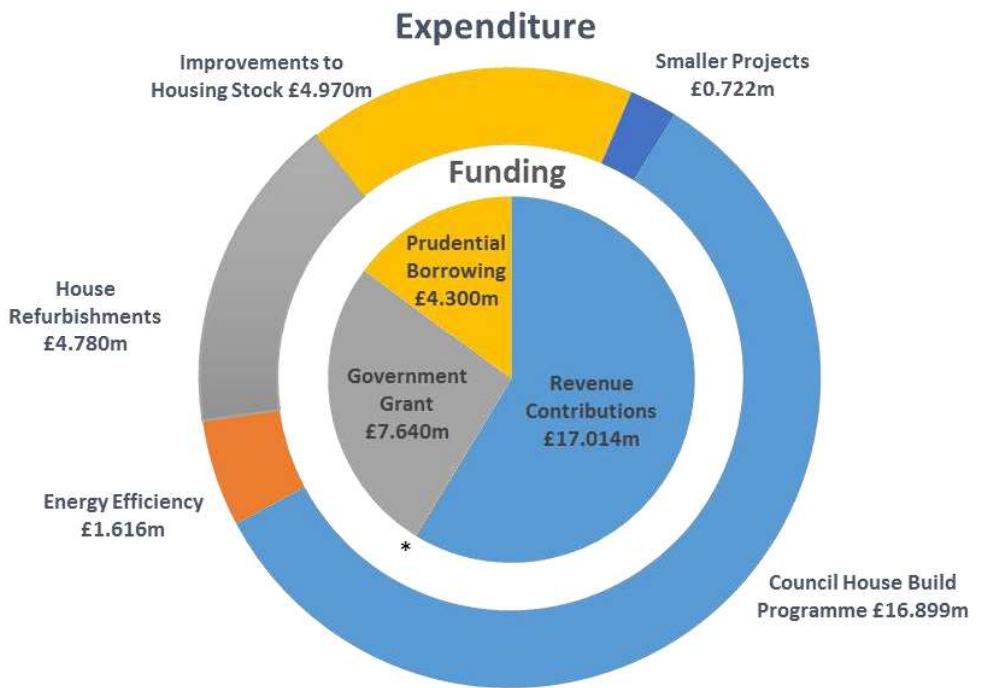
The use of £1.8m of HRA balances for capital projects, partly offset by the contribution to reserves noted above, has resulted in an accumulated HRA reserve at 31 March 2019 of £12.4m.



(e) Housing Capital Expenditure 2018/19

In 2018/19 the final HRA budgeted expenditure on capital investment was £28.987m. The chart below identifies the key projects and how the programme was funded.

Housing Capital 2018/19 - £28.987m



* Additional funding was provided from Capital Receipts, £0.033m

(f) Treasury Management and Investment

The Treasury Management and Investment Strategy outlines our approach to the management of our investments and cash flows in accordance with the relevant professional codes and regulations. The Strategy balances security and liquidity alongside the risks and returns from investments to ensure that sufficient cash is available to support service activity. The Strategy sets out key prudential indicators over a 10 year period offering assurances in relation to the affordability and sustainability of our Capital Investment Strategy, managing our borrowing requirements to minimise revenue costs.

The key indicators are noted below with full details provided on the Council's website:

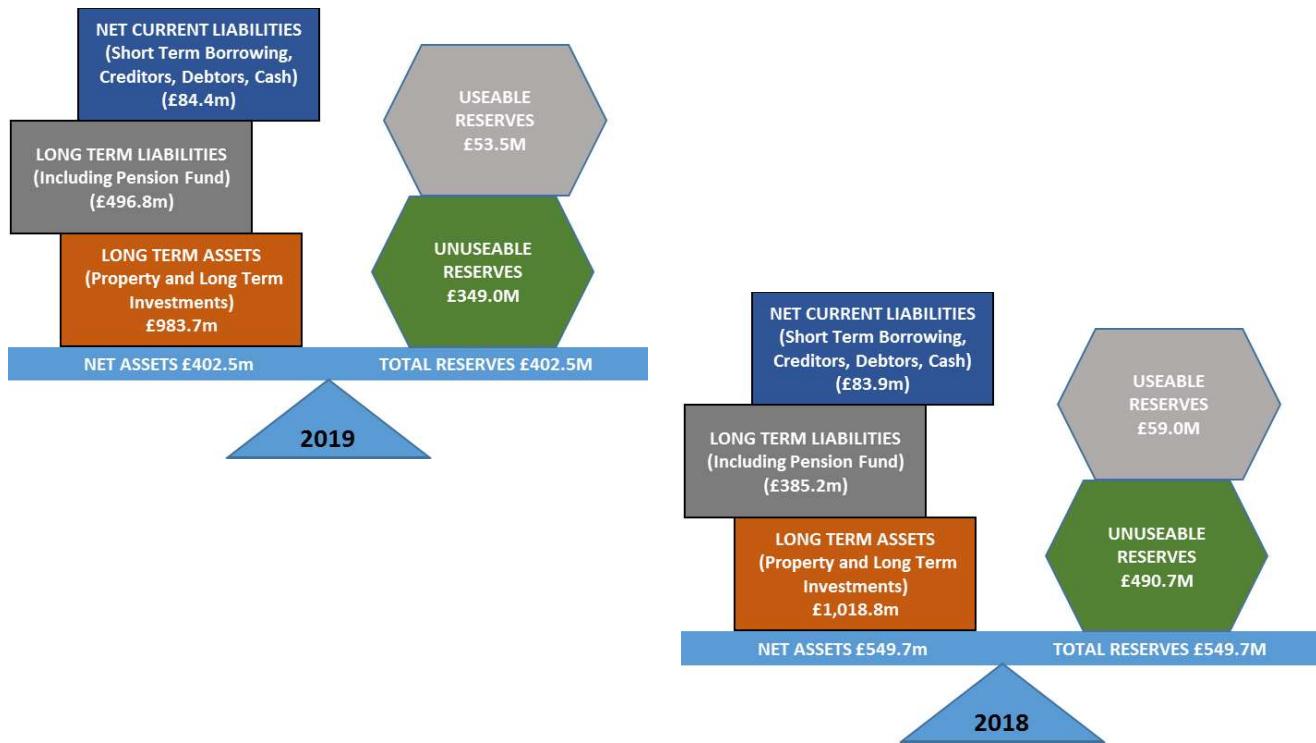
www.north-ayrshire.gov.uk/Documents/CorporateServices/Finance/TMSS-2018-19.pdf

Financial Indicator	2018/19	2017/18	Commentary
Capital Financing Requirement	£307.7m	£293.3m	Gross External Debt is required to be within our overall Capital Financing Requirement. This is clearly demonstrated by the current under borrowed position, due to our strategy of utilising internal funds.
Gross External Debt	£256.0m	£238.2m	
(Over) / Under Borrowed	£51.7m	£55.1m	
Ratio of financing costs to net revenue stream - General Fund	4.90%	5.00%	We are required to consider the affordability of our capital investment plans in terms of their impact on our revenue stream, demonstrating prudence and ensuring that our investments are sustainable in the long term. This is supported through benchmarking against other authorities and alignment to our 30 year HRA Business Plan.
Ratio of financing costs to net revenue stream - HRA	15.00%	15.20%	
Loans Fund Interest Rate	4.00%	4.10%	Our effectiveness in managing our debt portfolio is demonstrated by the low average rate of interest which is benchmarked against other local authorities.



(g) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2019, with comparative information provided for last financial year. The Balance Sheet brings together assets and liabilities, year end balances, money owed to and by the Council and reserves. More information on the balance sheet is provided on page 37.



The Balance Sheet on page 37 summarises the Assets and Liabilities and shows a net worth of £402.5m. This is a reduction from last year due to a lower value of Assets of £34.4m and an increase in Liabilities of £112.8m. The main changes to the Council's Balance Sheet are explained below.

- Property, Plant and Equipment have decreased in value by £34.5m, mainly due to depreciation and impairment charges for the year exceeding capital investment in our assets, including new Council housing. The Council's main asset groups are revalued on a five year rolling programme.
- Long Term Creditors have increased by £16.8m due to additional long term borrowing in support of the Council's Capital Investment Strategy.
- The Council's share of Strathclyde Pension Fund's net long term liability as at 31 March 2019 is £198.9m, an increase of £94.8m primarily driven by increased inflation, a reduced discount rate and revised actuarial assumptions updated in light of recent court rulings and regulatory changes resulting in an increase in the value of pension liabilities. The last triennial valuation of the Fund was carried out on 31 March 2017, this retained the current employers' contribution rate of 19.3%. The current funding level is 105% providing sufficient security and income to meet future pension liabilities.



Outlook

a) The Economy

Economic performance has a significant impact on the availability of funding and demand for public services. The Bank of England Inflation Report for May 2019 noted that the uncertainties over Brexit have increased since the EU referendum resulting in subdued growth in the UK economy for early 2019, at around half the rate of growth seen on average over the past five years. Expectations are that interest rates will be under upward pressure over the next few years, although they are likely to remain substantially lower than before the financial crisis. Inflation is likely to remain close to the Bank of England's 2% target.

In addition to economic performance, other factors which influence the availability of funding for core local government services include the protection of other public services, as set out in the current Scottish Government Medium Term Financial Strategy, including Health (and Social Care), Police and the expansion of Early Learning and Child Care. The Scottish Government's revised Medium Term Financial Strategy was published in May 2019.

The possible withdrawal of the United Kingdom from the EU may have significant impacts on the funding of local government services, including funding for EU grant programmes, and on the wider economy of North Ayrshire. The Council is working closely with relevant partners to identify the potential impact and risks, contribute to action taken at a national level and monitor national resilience planning.

b) North Ayrshire's Plans

The Council Plan

The new Council Plan for the period to 2024 provides a fresh outlook of our ambitions for North Ayrshire over the next five years.

The draft Council Plan details a vision for a North Ayrshire that is Fair for All and is based on the agreed priorities of Aspiring Communities, Inspiring Places and a Council for the Future. This Plan sets the context for our future transformation programme.



Our Financial Plans

The Council's Long Term Financial Outlook highlights the significant funding pressure that the Council may face over the next ten years. The Council has agreed its Medium Term Financial Plan for 2019/20 to 2021/22, with a funding gap of £25.4m remaining in the later years. The plan recognises a likely reduction in government grant and expenditure requirements around inflation, including pay inflation, teachers' pensions and significant socio economic and demographic pressures.

Our refreshed Capital Investment Programme for 2019/20 to 2027/28 will deliver a range of ambitious projects aligned to our strategic priorities, including our contribution to the Ayrshire Growth Deal and investments in the expansion of Early Years, development of an ASN campus, two new primary schools, Ardrossan community campus, and a range of infrastructure projects.



A new Medium Term Financial Planning Framework is in place to support development of the medium term financial plan for 2020/21 and beyond. This will be informed by the anticipated three year Financial Settlement from the Scottish Government aligning with our Council Plan.

Our Challenges

As we look ahead we recognise the challenges we face and have plans in place to address them;

- Delivering our ambitions as set out in the Council Plan and Our Fair for All strategy to reduce inequality and poverty in North Ayrshire;
- Delivering our current transformation plans and developing our pipeline of change to ensure sustainable service delivery within our financial envelope; and
- Supporting the Health and Social Care Partnership to secure financially sustainable services and reduce its debt to the Council.

The Ayrshire Growth Deal

In March 2019 the Ayrshire Growth Deal was signed. This will see investment of more than £250m across Ayrshire. Under the agreement, the UK and Scottish Governments will each invest £103m with the three Ayrshire Councils providing additional investment of more than £45m. All investments will support inclusive growth. The key investments for North Ayrshire include development of advanced manufacturing and digital automation, investment in the Centre for Research into Low Carbon Energy and Circular Economy, tourism investment and infrastructure, and support for the landing of a subsea fibre optic cable in Irvine.

Risks

The top risks for the Council are set out in our Strategic Risk Register. The diagram below summarises the top 3 risks facing the Council and its Partners alongside mitigating actions.

Risk and Impact	Financial Environment £	Inequalities	Financial Sustainability of the HSCP
Mitigations	<ul style="list-style-type: none">> Proactive response to Financial Challenge> Decisions in line with Key Priorities> Robust Financial Framework> Long Term Financial Outlook> Medium Term Financial Planning	<ul style="list-style-type: none">> Fair for All Strategy> Economic Strategy> Ayrshire Growth Deal> Better Off North Ayrshire> Challenge Poverty Approach> Money Matters Service> Attainment Challenge	<ul style="list-style-type: none">> Regular Financial Monitoring against the Strategic Plan> Implementation of Financial Recovery Plan> Chief Finance and Transformation Officer> Medium Term Financial Planning



As we reviewed our Register for 2019/20, the emerging risk associated with Brexit was recognised. Due to the uncertainty over the form and timing of the United Kingdom's withdrawal from the European Union, regular reports are provided to the Council's Audit and Scrutiny Committee providing updates on the risks and mitigating actions.

A full copy of the strategic risk register can be found at: www.north-ayrshire.gov.uk/riskregister

Supplementary Information

(a) Group Accounts

The Council has a material interest in a number of other organisations and is therefore required to produce Group Accounts. The Group results are presented alongside the results for the Council on all the main statements. The effect of including the Group entities along with the Council Accounts is an increase in both Reserves and Net Assets of £32.4m. This represents the Council's share of the net assets in these entities. Further details of the associated entities that have been incorporated into the financial statements can be found in Note 37 on page 79.

(b) Common Good and Trust Funds

The Council administers six Common Good Funds for the former burgh areas of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston. Overall the Common Good Funds achieved an in-year deficit of £0.031m resulting in an accumulated surplus as at 31 March 2019 of £1.994m. Details of income and expenditure accounts and balance sheets can be found on page 41 of these accounts.

The Council administers several Trust Funds, some of which are registered Charities. Details of income and expenditure accounts and balance sheets can be found on page 42 of these accounts. Overall the Trust Funds reported an in year deficit of £0.120m resulting in an accumulated surplus as at 31 March 2019 of £0.372m. Separate annual accounts and a Trustees' Annual Report have been prepared for the charitable trusts. These are subject to separate external audit and are available on the Council's website

<https://www.north-ayrshire.gov.uk/council/performance-and-spending/budgets-and-finance.aspx>

Conclusion

The Council continues to operate in a financially challenging environment but, as set out in this report, is maintaining, and in some areas improving performance, and continuing to innovate what we do and how we work with our partners and communities. The report identifies some of the highlights from 2018/19.

The Council continues to support the Health and Social Care Partnership (HSCP) progress towards financial sustainability. The improved financial performance of the HSCP during 2018/19 secured partial repayment of its deficit to the Council.

During 2018/19 we delivered over £60m of our Capital Investment Programme, including significant investments in our town centres, schools, roads and council houses. Our refreshed capital programme will deliver £255m of investment in our assets over the next 10 years. Alongside this we have an ambitious programme of investment in our housing stock.

We concluded our second phase transformation and have developed our next phase. The challenge is developing a pipeline of projects to support financial sustainability of services and deliver better outcomes for our communities. This will be driven forward in 2019/20 and inform our next Medium Term Financial Plan.



North Ayrshire Council has a clear vision and ambition for our communities. This is set out in our new Council Plan which focusses on Communities and Place and our Fair for All Strategy. These are underpinned by our robust financial planning and management framework.

Where to Find More Information

If you would like more information, our Council website also holds information on the Council's strategies, plans and policies and our performance and spending.

These can be found at:

www.north-ayrshire.gov.uk/council/strategies-plans-and-policies

www.north-ayrshire.gov.uk/council/performance-and-spending

A handwritten signature in black ink.

Craig Hatton Chief
Executive
24 September 2019

Councillor Joe Cullinane
Leader of the Council
24 September 2019

A handwritten signature in black ink.

Laura Friel BAcc CPFA
Executive Director,
Finance and Corporate Support
24 September 2019



Statement of Responsibilities

Responsibilities of the Council

The Council is required:

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

I confirm that the audited Annual Accounts were approved for signature at a meeting of the Audit and Scrutiny Committee of 24 September 2019.



Councillor Joe Cullinane
Leader of the Council
24 September 2019

Responsibilities of the Executive Director (Finance and Corporate Support)

The Executive Director (Finance and Corporate Support) is responsible for the preparation of the Council's annual accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), is required to present a true and fair view of the financial position of the Council at the accounting date and its transactions for the year.

In preparing these annual accounts, the Executive Director (Finance and Corporate Support) has:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice;
- Kept proper accounting records that were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of North Ayrshire Council and its group at the reporting date and the transactions of North Ayrshire Council and its group for the year ended 31 March 2019.



Laura Friel, BAcc, CPFA
Executive Director (Finance and Corporate Support)
24 September 2019



Remuneration Report

Introduction

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

The following report details North Ayrshire Council's remuneration policy for its senior Councillors and senior employees, providing full details of the remuneration and pension benefits they receive. This report also provides information on the number of employees whose annual remuneration was £50,000 or more, as well as summary information in relation to employees' exit packages agreed during the year.

All of the information disclosed in the tables within this Remuneration Report, with the exception of tables 3 and 4 and the Facility Time Statement, are subject to independent audit. The other sections of the Remuneration Report are reviewed by our Auditor to ensure that they are consistent with the Financial Statements.

Remuneration of Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183), as amended. The Regulations provide for the grading of Councillors, for the purposes of remuneration arrangements, as Leader of the Council, Provost, Senior Councillors and Councillor. The Leader of the Council and the Provost cannot be the same person for remuneration purposes. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/19 the salary for the Leader of North Ayrshire Council was set at £33,992 and the salary for the Provost was set at £25,494, the maximum level.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. For 2018/19, the maximum salary which could be paid to a Senior Councillor was £25,494 with the maximum number of Senior Councillors set at 14. The total remuneration for Senior Councillors (excluding the Provost and Leader) should not exceed £297,430.

As at 31 March 2019 the Council had 9 Senior Councillors. The annual salaries for the Depute Leader and the Leader of largest minority party were set at £25,494, the maximum level. The remaining Senior Councillors received an annual salary of £21,164, and total remuneration of £199,434.

In line with Regulations the Council pays contributions to the Local Government Pension Scheme for those Councillors who elect to become Councillor Members of the pension scheme. Glasgow City Council administers the Local Government Pension Scheme on behalf of 12 unitary local authorities including North Ayrshire Council. Information on the scheme is available at <http://www.spfo.org.uk>.

Details of the Remuneration of Senior Councillors are shown in Table 1.



Table 1: Remuneration of Senior Councillors

Councillor Name and Responsibility	Date From	Date To	Total Remuneration	Total Remuneration
			2018/19 £	2017/18 £
Alex Gallagher Cabinet Member	April 2018	March 2019	21,164	20,252
Ian Clarkson Provost	April 2018	March 2019	25,494	24,418
James Montgomerie Cabinet Member	April 2018	March 2019	21,164	20,252
Joe Cullinane Leader of the Council	April 2018	March 2019	33,992	32,514
John Bell Depute Leader of the Council	April 2018	March 2019	25,494	24,418
Louise McPhater Cabinet Member	April 2018	March 2019	21,164	21,013
Marie Burns Leader of the Largest Minority & Chair, Audit and Scrutiny Committee	April 2018	March 2019	25,494	24,418
Robert Barr Depute Provost	April 2018	March 2019	21,462	20,252
Robert Foster Cabinet Member	April 2018	March 2019	21,164	18,403
Ronnie McNicol Chair, Licensing Committee	April 2018	March 2019	21,164	20,252
Tom Marshall Chair, Planning Committee	April 2018	March 2019	21,164	18,405
John Hunter Chair, Scrutiny and Petitions Committee	April 2017	May 2017	-	1,872
Matt Brown Chair, Planning Community & Local Review Body	April 2017	May 2017	-	1,872
Peter McNamara Cabinet Member	April 2017	May 2017	-	1,895
Total			258,920	250,236

Remuneration paid to the Provost and Leader of the Council in 2018/19 is £59,486. Total remuneration to the remaining 9 Senior Councillors is £199,434.

Note: Total remuneration consists of salaries and allowances only.

Remuneration of Employees

The salary of senior employees is 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 salary for the Chief Executive of North Ayrshire Council for the period 2018/19. The salaries of the Directors are based on a fixed percentage of the Chief Executive's salary. Senior employees do not receive any other benefits.

Details of the Remuneration of Senior Employees are shown in Table 2.



During 2018/19, the previous Chief Executive also held positions of Director in North Ayrshires Ventures Trust, Non-Executive Director of Young Scot and was a member of the URC Transition Board. The current Chief Executive held the position of Director in North Ayrshire Ventures Trust. The Executive Director (Finance & Corporate Support) held a position of Director in HUB SW Largs DBFM Co Limited. The Executive Director (Economy & Communities) held a position of Director of Ardrossan North Shore LLP. There was no remuneration associated with these positions.

During 2018/19 the positions of Executive Director (Place) and Executive Director (Education and Youth Employment) became vacant. Pending completion of a review of the Chief Officer structure, the Heads of Service within these services were jointly fulfilling the responsibilities of these posts to ensure the efficient running of the Directorate and their Services. Additional responsibility allowances were received in relation to this.

Table 2: Remuneration of Senior Employees of the Council

Name and Post Title	Date From	Date To	Salary and Allowances	Compensation for loss of employment	Total Remuneration	Total Remuneration
			2018/19 £	2018/19 £	2018/19 £	2017/18 £
Elma Murray Chief Executive (Full Year Equivalent £135,313)	01/04/18	31/10/18	85,067	-	85,067	133,713
Elma Murray Returning Officer/Counting Officer	n/a	n/a	-	-	-	6,523
Craig Hatton Executive Director, Place Chief Executive	01/04/18 01/10/18	30/09/18 31/03/19	121,909	-	121,909	106,906
John Butcher Executive Director, Education and Youth Employment (Full Year Equivalent £106,906)	01/04/18	25/07/18	65,536	100,000	165,536	106,906
Karen Yeomans Executive Director, Economy and Communities	01/04/18	31/03/19	108,506	-	108,506	106,906
Laura Friel Executive Director, Finance & Corporate Support	01/04/18	31/03/19	108,506	-	108,506	106,906
Andrew Fraser Monitoring Officer	01/04/18	31/03/19	88,104	-	88,104	86,504
David MacRitchie Chief Social Work Officer	01/04/18	31/03/19	65,850	-	65,850	63,867
Andrew McClelland Head of Service, Learning, Teaching & Curriculum (Full Year Equivalent £93,104)	26/07/18	31/03/19	61,869	-	61,869	-
Caroline Amos Head of Service, Inclusion (Full Year Equivalent £93,104)	26/07/18	31/03/19	61,869	-	61,869	-
Russell McCutcheon Head of Service, Commercial Services (Full Year Equivalent £93,104)	01/10/18	31/03/19	47,381	-	47,381	-
Yvonne Baulk Head of Service, Physical Environment (Full Year Equivalent £93,104)	01/10/18	31/03/19	47,381	-	47,381	-
Total			861,978	100,000	961,978	718,231

Note: Total remuneration consists of salaries and allowances only.



Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

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

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme up to 31 March 2015. From 1 April 2015, benefits for local government employees are based on career average pay. Benefits are based on the pay received for each year in the scheme, revalued for inflation until retirement. All benefits accumulated prior to 1 April 2015 are protected.

A five-tier contribution system is in place with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership.

The tiers and member contribution rates for 2017/18 and 2018/19 are shown in Table 3.

Table 3: Tier and Member Contribution Rates

Whole time pay bandings 2017/18	Employee Contribution rate	Whole time pay bandings 2018/19
On earnings up to and including £20,700	5.50%	On earnings up to and including £21,300
On earnings above £20,700 and up to £25,300	7.25%	On earnings above £21,300 and up to £26,100
On earnings above £25,300 and up to £34,700	8.50%	On earnings above £26,100 and up to £35,700
On earnings above £34,700 and up to £46,300	9.50%	On earnings above £35,700 and up to £47,600
On earnings above £46,300	12.00%	On earnings above £47,600

The rate and basis at which employees accrue their pension benefits has changed over time. This is shown in Table 4.



Table 4: Employee Benefit Calculation Rates

Time Period	Pension Benefit		Lump Sum Basis
	Accrual Basis	Accrual Rate	
From 1 April 2015	Career Average	1/49th pensionable pay each year	n/a
From 1 April 2009 to 31 March 2015	Final Salary	1/60th pensionable pay each year	n/a
Prior To 1 April 2009	Final Salary	1/80th pensionable pay each year	3/80th final pensionable salary and years of pensionable service

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

The value of the pension benefits of senior councillors is outlined in Table 5. They have been calculated without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation.

The pension entitlements for Senior Councillors for the year to 31 March 2019 are shown in Table 5, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Table 5: Pension Benefits of Senior Councillors

Name	In year pension contributions		Accrued pension benefits			
	For year to 31 March 2019 £	For year to 31 March 2018 £	As at 31 March 2019		Difference from 31 March 2018	
			Pension £	Lump Sum £	Pension £	Lump Sum £
Alex Gallagher	4,085	4,016	4,094	1,440	500	39
Ian Clarkson	4,902	4,820	4,528	1,511	625	62
James Montgomerie	4,085	4,016	2,756	-	475	-
Joe Cullinane	6,535	6,383	3,460	-	796	-
John Bell	4,902	4,820	4,638	1,617	613	55
Louise McPhater	4,085	4,163	1,117	-	432	-
Robert Barr	4,085	4,016	2,887	-	431	-
Robert Foster	4,085	3,634	811	-	430	-
Ronnie McNicol	4,085	4,016	4,193	1,017	477	18
John Hunter	-	361	n/a	n/a	n/a	n/a
Peter McNamara	-	361	n/a	n/a	n/a	n/a
	40,849	40,606				

Councillor Burns and Councillor Marshall are not members of the pension scheme.

Pension Contributions and Accrued Pension Benefits relate to all duties and not just those of the posts shown.

Pension entitlements for senior employees for the year to 31 March 2019 are shown below in Table 6, together with the contribution made by the Council to each senior employee's pension during the year.



Table 6: Pension Benefits of Senior Employees of the Council

Name and Post Title	In year pension contributions		Accrued pension benefits			
	For year to 31 March 2019	For year to 31 March 2018	As at 31 March 2019		Difference from 31 March 2018	
	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £
Elma Murray Chief Executive (until 31/10/2018)	15,367	25,807	64,031	130,713	795	(1)
Craig Hatton Executive Director, Place Chief Executive	23,529	20,633	70,488	-	10,030	-
John Butcher Executive Director, Education and Youth Employment (until 27/07/2018)	6,878	20,633	8,411	-	727	-
Karen Yeomans Executive Director, Economy and Communities	20,942	20,633	13,956	-	2,289	-
Laura Friel Executive Director, Finance & Corporate Support	20,942	20,633	53,033	99,751	2,865	1,471
Andrew McClelland Head of Service, Learning, Teaching & Curriculum	17,184	-	3,248	-	1,817	-
Caroline Amos Head of Service, Inclusion	17,184	-	6,341	-	1,817	-
Russell McCutcheon Head of Service, Commercial Services	17,010	-	41,340	76,821	4,388	5,779
Yvonne Baulk Head of Service, Physical Environment	17,010	-	40,444	74,131	4,321	5,576
Andrew Fraser Monitoring Officer	17,004	16,695	44,062	84,046	2,467	1,526
David MacRitchie Chief Social Work Officer	12,699	12,316	36,726	75,149	2,297	2,267
Total	185,749	137,350				

Pension Contributions and Accrued Pension Benefits relate to all duties and not just those of the posts shown.



Remuneration paid to Councillors

Salaries, allowances and expenses paid to all Councillors within North Ayrshire Council (including the Senior Councillors previously listed) during the year are shown in Table 7.

Table 7: Total Remuneration Paid to Councillors

Type of Remuneration	2018/19 £	2017/18 £
Salaries	630,536	599,504
Expenses	38,330	42,570
Total	668,866	642,074

The annual return of Councillors' salaries and expenses for 2018/19 is available for any member of the public to view at all Council libraries and public offices during normal working hours, and is also available on the Council's website at www.north-ayrshire.gov.uk under Council>Councillors>Members' allowances and expenses

General Disclosure by Pay Bands

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50,000 or above. Table 8 provides this information in bands of £5,000.

Table 8: General Disclosure by Pay Bands

Remuneration Bands	Number of Employees	
	As at 31 March 2019	As at 31 March 2018
£50,000-£54,999	83	80
£55,000-£59,999	46	50
£60,000-£64,999	16	15
£65,000-£69,999	5	4
£70,000-£74,999	2	1
£75,000-£79,999	1	1
£80,000-£84,999	6	11
£85,000-£89,999	5	1
£90,000-£94,999	-	-
£95,000-£99,999	-	-
£100,000-£104,999	-	-
£105,000-£109,999	2	4
£110,000-£114,999	-	-
£115,000-£119,999	-	-
£120,000-£124,999	1	-
£125,000-£129,999	-	-
£130,000-£134,999	-	1
Total	167	168



Exit Packages

The Council has set aside funding to support a voluntary early release scheme for employees as part of the agreed savings package and to facilitate service redesign. As a result, a number of staff left the Council during 2018/19, either through the voluntary early release scheme or voluntary redundancy. There were no compulsory redundancies.

For the purposes of this note, Exit Packages in Table 9 include:

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded - maximum three years); and
- A capitalised value of the recurring Compensatory Added Years payment. This represents the amount which the Council has to pay to the pension fund because the employee has retired with enhanced service (maximum three years). This amount is paid on an annual basis once a person has left employment with the Council and is therefore a notional cost at 31 March 2019.
- Following approval of the revised Local Government and Teachers early release schemes in August 2018, Compensatory Added Years will no longer be paid for any severances after 31 March 2019.

The figures include employees who have committed to leave during 2018/19, although their actual leaving date may be later than 31 March 2019.

Table 9: Exit Packages

Band	Number of Employees	2018/19		2017/18	
		Value £	Number of Employees	Value £	Number of Employees
£0-£20,000	49	571,102	29	286,177	
£20,001-£40,000	44	1,199,069	17	489,362	
£40,001-£60,000	13	597,304	6	298,877	
£60,001-£80,000	5	360,423	1	78,740	
£80,001-£100,000	7	646,360	1	98,511	
£100,001-£150,000	7	853,490	7	821,762	
£150,001-£200,000	2	319,264	1	193,267	
£200,001-£250,000	1	204,192	2	463,520	
	128	4,751,204	64	2,730,216	



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. Facility time is time off from an employee's job, granted by the Council, to enable the employee to carry out their trade union role.

For the reporting year 2018/19, 126 employees were relevant trade union officials and 55 of these employees spent a proportion of their working hours on facility time:

Percentage of Time	Number of Employees (headcount)
0%	71
1% - 50%	52
51% - 99%	2
100%	1

The percentage of the total paybill spent on facility time was 0.13%.

For those employees who were trade union officials, the time spent on paid trades union activities as percentage of their total paid facility time hours was 16.13%.

The Trade Union Facility Time Statement for 2018/19 is available for any member of the public to view on the Council's website at www.north-ayrshire.gov.uk under Documents>Corporate Services>Chief Executive>Policy and Performance



A handwritten signature in black ink, appearing to read 'CH'.

Craig Hatton
Chief Executive
24 September 2019

A handwritten signature in black ink, appearing to read 'Joe Cullinane'.

Councillor Joe Cullinane
Leader of the Council
24 September 2019



Annual Governance Statement

Scope of Responsibility

North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to achieve Best Value.

The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunningham House, Irvine KA12 8EE.

This statement explains how North Ayrshire Council complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and the achievement of key outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. 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 objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

The Governance Framework

The main features of the governance framework that was in place during 2018/19 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and also included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Leader of the Main Opposition, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies;
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in June 2018;
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area;



- The Council, together with NHS Ayrshire and Arran, established an integrated Health and Social Care Partnership (HSCP), which has been in place since April 2015. The HSCP has established a governance framework and an integrated senior management structure to support delivery of its key objectives. This was strengthened through the appointment of a Chief Finance and Transformation Officer during 2018/19;
- The Council's mission and vision are outlined in the Council Plan 2015-2020 which aligns with the vision of the North Ayrshire Community Planning Partnership and the Local Outcome Improvement Plan 2017-2022 (LOIP) and is underpinned by a range of performance indicators. The Council Plan was reviewed during 2018/19 with a draft version being approved by Council in March 2019 for public consultation;
- A 'People Strategy' entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive;
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the Council. A Performance Management Forum (PMF) is in place to help embed a high-performance culture throughout the Council. Regular reporting to Elected Members takes place and a wide range of performance information is available on the 'North Ayrshire Performs' website;
- The Chief Executive chairs a series of six-monthly Performance Management Review meetings with each Directorate, designed to focus on improvement, reflection and learning;
- The Council has adopted a 'Code of Conduct' for all of its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place;
- The approach to risk management is set out in the Risk Management Strategy. The Council's strategic risk register is refreshed annually and for 2018/19 was approved by Cabinet in March 2018;
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for chief officers and senior managers across the Council. This was enhanced through a new programme known as 'Blue Wave of Change' which was introduced for senior leaders during 2018/19;
- A Performance and Personal Development (PPD) scheme and a range of training opportunities are provided for all employees, the aim of which is to focus employees on their performance and development that contributes towards achieving Service objectives;
- In order to ensure its asset management arrangements are robust, the Council has established the Corporate Asset Strategy. This is underpinned by 6 themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet. The Asset Strategy was refreshed during 2017/18 to reflect the new requirement to publish a Capital Investment Strategy and Technology and Digital Strategies are in place to support the ICT asset management plan and the transformation agenda;
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Executive Director (Finance and Corporate Support), is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards;
- The Council has a long-term financial outlook, which covers the period to 2027/28. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council;
- The Council delivered its Transformation 2 (T2) programme, which was signed off in February 2019. A new programme is being developed which will help develop a corporate and co-ordinated approach to transformational change across the organisation. This is overseen by a Transformation Think Tank, chaired by the Executive Director (Finance and Corporate Support), and governance arrangements are in place through the Chief Officer Leadership Team and reporting to Cabinet;
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority;



- An Information Governance framework is in place, supported by a central team of staff within Finance and Corporate Support. A significant programme of work was undertaken across the Council to help ensure compliance with the GDPR (General Data Protection Regulation) which came into force in May 2018.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Worker;
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31 March 2019.

The System of Internal Financial Control

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Chief Officers within the Council. In particular, the system includes:

- Financial regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines;
- Formal project management disciplines.

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2014)'.

With regard to the entities incorporated into the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

Review of Effectiveness of the Governance Framework

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Internal Audit, Risk and Fraud) and reports from the Council's external auditor Deloitte LLP, Audit Scotland and other review agencies.

The Executive Director (Finance and Corporate Support) has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Internal Audit, Risk and Fraud) is responsible for the management of the section and reports directly to the Executive Director on all audit matters, with the right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its 5-year audit plan and complies with the Public Sector Internal Audit Standards (PSIAS) in carrying out its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2018/19.

As detailed in the 'Internal Audit Charter' that has been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. The Senior Manager (Internal Audit, Risk and Fraud) prepares an annual report to the Audit and Scrutiny Committee, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks.



Significant Governance Developments during 2018/19

Regular meetings are now in place with Services to develop workforce plans to analyse the current workforce and identify future requirements. Services have been provided with workforce profiles to support succession planning. To support service transformation, a 'Span of Control' methodology has also been introduced alongside a review of the pay and grading structure.

A 'Policy Advisory Panel' was established in September 2018 to assist in the preparation of policy proposals for consideration and approval by Cabinet. This meets once in each committee cycle.

The Council developed its approach to community consultation and engagement through the introduction of a 'Participatory Budgeting' approach in Streetscene – this saw extensive consultation with local residents on the identification of their priorities for the use of grounds maintenance budgets.

In view of the financial challenge faced by the Health and Social Care Partnership, and following significant overspending during 2016/17 and 2017/18, governance arrangements were strengthened through the appointment of a Chief Financial and Transformation Officer within the HSCP and the introduction of regular financial reporting to the Council's Audit and Scrutiny Committee.

An 'Ayrshire Growth Deal' was approved by the UK and Scottish Governments – this will see significant funding provided over the next 10 years to support the delivery of major infrastructure projects which will help grow the Ayrshire economy. The three Ayrshire Councils agreed to the establishment of an Ayrshire Regional Economic Joint Committee and a sub-committee, the Ayrshire Regional Economic Partnership, to support sound governance.

The Internal Audit Annual Report 2018-19, received by the Audit and Scrutiny Committee on 28th May 2019, highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Internal Audit, Risk and Fraud) that the Council's systems of internal control continue to provide reasonable assurance against loss.

Further Actions for 2019/20

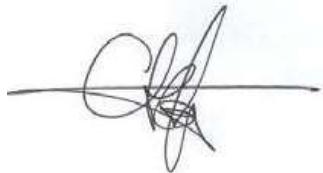
The Council has identified the following actions for 2019-2020 that will assist with the further strengthening of corporate governance arrangements:

- Consulting on and approving a new Council Plan which will outline our key priorities for the period 2019 to 2024. (Chief Executive, by June 2019)
- Introducing a new Council organisational structure, aligned to the Council Plan, which will help ensure we are well placed to deliver the best possible outcomes for our local communities. (Chief Executive, by June 2019)
- Developing a new Medium-Term Financial Planning Framework to support the pipeline of transformation projects. (Executive Director Finance and Corporate Support, by March 2020)
- Supporting the Health and Social Care Partnership to develop a Medium-Term Financial Planning Framework to deliver services within the available financial resources. (Executive Director Finance and Corporate Support and HSCP Head of Finance and Transformation, by March 2020)



Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2018/19 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.



Craig Hatton
Chief Executive
24 September 2019



Councillor Joe Cullinane
Leader of the Council
24 September 2019



Independent Auditor's Report

Independent Auditor's Report to the members of North 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 North Ayrshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Account, the Non-Domestic Rates Account, Common Good Funds, Trust Funds 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 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the 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 2018/19 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 three years. We are independent 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.

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 Executive Director (Finance and Corporate Support) 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 have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Executive Director (Finance and Corporate Support) and North Ayrshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director (Finance and Corporate Support) 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 Executive Director (Finance and Corporate Support) 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 Executive Director (Finance and Corporate Support) 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.

The North 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Executive Director (Finance and Corporate Support) 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)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
26 September 2019



The Financial Statements

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. North Ayrshire Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

In accordance with the Code of Practice on Local Authority Accounting transactions between segments are excluded from the Comprehensive Income and Expenditure Statement. The 2017/18 figures have been restated to remove the impact of internal transactions which were previously reported. This has no material impact and does not change the Net Cost of Services reported for the year.

North Ayrshire Council				Group				North Ayrshire Council				Group							
2017/18 (restated)				2018/19				Gross Expend £m		Gross Income £m		Net Expend £m		Gross Expend £m		Gross Income £m		Net Expend £m	
Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m	Notes	Gross Expend £m	Gross Income £m	Net Expend £m	Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m	Gross Expend £m	Gross Income £m	Net Expend £m	Gross Expend £m	Gross Income £m	Net Expend £m		
4.533	(0.666)	3.867	3.867		Chie Executive and Democratic Services			4.538	(0.565)	3.973	3.973								
75.481	(56.234)	19.247	19.247		Finance & Corporate Support			69.960	(49.551)	20.409	20.409								
113.153	(9.820)	103.333	103.335		Education and Youth Employment			123.187	(16.209)	106.978	106.978								
142.166	(27.756)	114.410	114.410		Place			125.272	(30.014)	95.258	95.258								
31.791	(4.931)	26.860	25.669		Economy and Communities			29.867	(6.661)	23.206	24.828								
213.878	(121.949)	91.929	91.929		Health and Social Care Partnership			224.428	(126.265)	98.163	98.163								
24.909	(0.006)	24.903	24.903		Other Corporate Items			25.452	(0.275)	25.177	25.177								
605.911	(221.362)	384.549	383.360		Cost Of General Fund Services			602.704	(229.540)	373.164	374.786								
40.982	(46.596)	(5.614)	(5.614)		Housing Revenue Account			44.244	(47.944)	(3.700)	(3.700)								
646.893	(267.958)	378.935	377.746		Net Cost of Services			646.948	(277.484)	369.464	371.086								
-	-	-	(4.043)		Associates and joint ventures accounted for on an equity basis			-	-	-	(0.802)								
0.162	(0.486)	(0.324)	(0.324)		Other Operating Expenditure and Income			3	-	(0.063)	(0.063)								
46.623	(22.879)	23.744	23.702		Financing and Investment Income and Expenditure			4	48.377	(25.074)	23.303								
-	(355.716)	(355.716)	(355.716)		Taxation and Non-Specific Grant Income			8	-	(341.733)	(341.733)								
693.678	(647.039)	46.639	41.365		(Surplus) or Deficit on Provision of Services			695.325	(644.354)	50.971	51.750								
		(5.754)	(6.045)		(Surplus) / Deficit on revaluation of fixed assets					37.973	37.943								
		(168.059)	(168.059)		Actuarial (gains)/losses on pension assets/liabilities					58.257	58.257								
		-	(3.801)		Share of other comprehensive expenditure and income of associates and joint ventures					-	1.262								
		(173.813)	(177.905)		Other Comprehensive Income and Expenditure							96.230	97.462						
		(127.174)	(136.540)		Total Comprehensive Income and Expenditure							147.201	149.212						



The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those applied to fund expenditure or reduce local taxation) and unusable reserves.

The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the 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 Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Reserves of Associates	Subsidiaries and Joint Ventures	Total Group Reserves
Movement in reserves during 2018/19									
Balance at 31 March 2017	£32,049	14,704	10,547	57,300	365,209	422,509	25,075	447,584	
Total Comprehensive Expenditure and Income	(53,325)	6,686	-	(46,639)	173,813	127,174			136,540
Adjustments between accounting basis and funding basis under regulations	10	53,903	(7,763)	2,189	48,329	(48,329)	-	-	-
Net increase/ (decrease) before transfers to other statutory reserves	0.578	(1,077)	2,189	1,690	125,484	127,174	9,366	136,540	
Transfers to/(from) other statutory reserves	11	0.608	-	(0.608)	-	-	-	-	-
Increase/(Decrease) in year	1.186	(1,077)	1,581	1,690	125,484	127,174	9,366	136,540	
Balance at 31 March 2018	11 & 29	33,235	13,627	12,128	58,990	490,693	549,683	34,441	584,124
Total Comprehensive Expenditure and Income	(59,532)	8,561	-	(50,971)	(96,230)	(147,201)	(2,011)	(149,212)	
Adjustments between accounting basis and funding basis under regulations	10	53,252	(9,775)	2,031	45,508	(45,508)	-	-	-
Net increase/ (decrease) before transfers to other statutory reserves	(6,280)	(1,214)	2,031	(5,463)	(141,738)	(147,201)	(2,011)	(149,212)	
Transfers to/(from) other statutory reserves	11	4,908	-	(4,908)	-	-	-	-	-
Increase/(Decrease) in year	(1,372)	(1,214)	(2,877)	(5,463)	(141,738)	(147,201)	(2,011)	(149,212)	
Balance at 31 March 2019	11 & 29	31,863	12,413	9,251	53,527	348,955	402,482	32,430	434,912

The **Balance Sheet** is a snapshot of the value at the reporting date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges). The second category of reserves is those that the Council is not able to use to provide services. This category of reserve includes those that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2018	Group 31 March 2018		Notes	As at 31 March 2019	Group 31 March 2019
£m	£m			£m	£m
1,014.739	1,020.407	Property, Plant & Equipment	12	980.238	985.219
1.327	1.327	Heritage Assets	14	1.327	1.327
1.349	1.349	Intangible Assets	15	0.922	0.922
0.674	0.674	Assets Held for Sale	16	0.548	0.548
0.350	0.504	Long Term Investments	20	0.350	0.504
-	21.875	Investment in Associates and Joint Ventures	37	-	21.935
1.012	0.201	Long Term Debtors	18	0.846	0.162
1,019.451	1,046.337	Long Term Assets		984.231	1,010.617
0.987	0.987	Inventories	22	0.864	0.864
0.462	0.462	Short Term Intangible Assets	15	0.252	0.252
-	-	Short Term Investments	20	5.028	5.028
39.778	40.682	Short Term Debtors	23	41.667	41.667
20.269	20.514	Cash and Cash Equivalents	36	14.552	14.798
61.496	62.645	Current Assets		62.363	62.609
(78.319)	(71.129)	Short Term Borrowing	24	(75.257)	(75.257)
(63.384)	(61.109)	Short Term Creditors	25	(69.009)	(59.724)
(4.330)	(4.330)	Short Term Provisions	26	(3.068)	(3.068)
(146.033)	(136.568)	Current Liabilities		(147.334)	(138.049)
(170.020)	(170.020)	Long Term Borrowing	20	(189.939)	(189.939)
(111.054)	(111.054)	Long Term Creditors	20	(107.897)	(107.897)
(104.157)	(104.157)	Other Long Term Liabilities	28	(198.942)	(198.942)
-	(3.059)	Liabilities in Associates and Joint Ventures	37	-	(3.487)
(385.231)	(388.290)	Long Term Liabilities		(496.778)	(500.265)
549.683	584.124	Net Assets		402.482	434.912
58.990	58.990	Usable Reserves	11	53.527	53.527
490.693	490.693	Unusable Reserves	29	348.955	348.955
-	34.441	Group Reserves	37	-	32.430
549.683	584.124	Total Reserves		402.482	434.912

The unaudited accounts were issued on 26 June 2019 and the audited accounts were authorised for issues on 24 September 2019.

Laura Friel

Laura Friel, BAcc, CPFA
Executive Director (Finance and Corporate Support)
24 September 2019



The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. This includes expenditure on capital investment and income from capital receipts and grants.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council and include any repayment of borrowing or new borrowing made during the year.

NAC 2017/18 £m	Group 2017/18 £m		Notes	NAC 2018/19 £m	Group 2018/19 £m
46.639	41.365	Net deficit on the provision of services		50.971	51.751
(128.864)	(115.357)	Adjust net surplus on the provision of services for non-cash movements	33	(96.684)	(97.465)
41.462	41.462	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	33	22.254	22.254
(40.763)	(32.530)	Net cash flows from Operating Activities		(23.459)	(23.460)
62.682	62.682	Investing Activities	34	43.770	43.770
(33.137)	(34.040)	Financing Activities	35	(14.594)	(14.594)
(11.218)	(3.888)	Net (increase) or decrease in Cash and Cash Equivalents		5.717	5.716
(9.051)	(16.626)	Cash and Cash Equivalents at the beginning of the reporting period		(20.269)	(20.514)
(20.269)	(20.514)	Cash and Cash Equivalents at the end of the reporting period	36	(14.552)	(14.798)



Housing Revenue Account

The **Housing Revenue Account (HRA) Income and Expenditure Statement** shows the cost in the year of providing housing services after making the necessary accounting entries in line with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

Councils charge rents to cover expenditure in accordance with regulations; this may differ from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2017/18 £m		2018/19 £m
	Income	
(45.867)	Dwelling Rents	(46.892)
(0.323)	Non-dwelling Rents	(0.302)
(0.406)	Other Income	(0.600)
(46.596)	Total Income	(47.794)
	Expenditure	
16.835	Repairs and Maintenance	17.149
8.933	Supervision and Management	10.130
14.912	Depreciation and Impairment on Non-Current Assets	16.432
0.236	Bad Debts and movement in Bad Debt Provision	0.331
0.046	Rent, Rates, Taxes and Other Charges	0.028
0.020	Sums directed by Scottish Government Ministers that are expenditure in accordance with IFRS	0.024
40.982	Total Expenditure	44.094
(5.614)	Net Income of Services as included in the CIES	(3.700)
0.135	Corporate & Democratic Core	0.136
(5.479)	Net Income for HRA Services	(3.564)
(6.355)	Taxation and Non-Specific Grant Income and Expenditure	(9.672)
0.162	(Gain)/Loss on Sale of HRA Non-Current Assets	(0.008)
4.800	Interest Payable and Similar Charges	4.651
(0.032)	Interest and Investment Income	(0.064)
0.218	Pension Interest Cost and Expected Return on Pension Assets	0.096
(6.686)	Surplus for the Year on HRA Services	(8.561)

Movement on the Housing Revenue Account Statement

2017/18 £m		2018/19 £m
(6.686)	Surplus for the Year on HRA Income and Expenditure Statement	(8.561)
7.763	Adjustments between Accounting Basis and Funding Basis under statute	9.775
1.077	Reduction in Year on the HRA	1.214
(14.704)	Balance on the HRA at 1 April 2018	(13.627)
(13.627)	Balance on the HRA at 31 March 2019	(12.413)



Housing Stock

The Council's total housing stock at 31 March 2019 was 12,940 (13,011 at 31 March 2018) in the following categories:



Statutory Adjustments between Accounting Basis and Funding Basis

2017/18 £m		2018/19 £m
(0.162)	Gain / (Loss) on sale of HRA non-current assets	0.008
14.760	Capital expenditure funded by the HRA	14.983
	Transfer (to)/from the Capital Adjustment Account:	
(14.911)	Depreciation and Impairment	(16.432)
2.197	Repayment of Debt	2.393
6.355	Capital grants and contributions that have been applied to capital financing	9.672
(0.790)	HRA share of contributions to the Pensions Reserve	(1.144)
0.314	HRA share of transfer to the Financial Instruments Adjustment Account	0.297
-	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(0.002)
7.763	Total Adjustments between Accounting Basis and Funding Basis under statute	9.775

Other Information

2017/18		2018/19
£68.46	Average weekly rent (52 weeks)	£70.29
£0.294m	Bad debts written off in respect of former tenants	£0.294m
£1.739m	Total Rent Arrears	£2.248m
£0.820m	Bad Debt Provision - housing rents	£0.797m
£0.514m	Bad Debt Provision - other debtors	£0.552m
£0.157m	Void Rent Loss	£0.209m



Common Good and Trusts

The **Common Good Funds** administered by the Council are for the general benefit of its communities. They were established either by Royal Charter or by former authorities.

In North Ayrshire, six funds exist for the former burghs of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston.

The balances reported below do not represent assets available to the Council. As such, these balances have been included in the Council's balance sheet under creditors.

None of the Common Good Funds are registered charities.

Movement in Reserves Statement	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Balance at 1 April 2018	0.487	2.550	0.693	0.238	0.017	0.245	4.230
Surplus/(Deficit) For the Year	0.030	(0.027)	(0.029)	(0.006)	-	0.001	(0.031)
Surplus/(Deficit) on the Revaluation of Fixed Assets	-	0.027	0.003	-	-	-	0.030
Balance at 31 March 2019	0.517	2.550	0.667	0.232	0.017	0.246	4.229

Income and Expenditure Account	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Income	(0.040)	(0.071)	(0.018)	-	-	(0.015)	(0.144)
Expenditure	0.010	0.098	0.047	0.006	-	0.014	0.175
(Surplus)/Deficit For the Year	(0.030)	0.027	0.029	0.006	-	(0.001)	0.031
Surplus Brought Forward	(0.187)	(1.095)	(0.498)	(0.073)	(0.017)	(0.155)	(2.025)
Accumulated Surplus as at 31 March 2019	(0.217)	(1.068)	(0.469)	(0.067)	(0.017)	(0.156)	(1.994)

Balance Sheet at 31 March 2019	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Investment Properties	0.300	1.482	0.198	0.165	-	0.090	2.235
Cash invested in NAC on behalf of the funds	0.217	1.068	0.469	0.067	0.017	0.156	1.994
	0.517	2.550	0.667	0.232	0.017	0.246	4.229
Capital Adjustments	-	(1.127)	(0.097)	-	-	(0.066)	(1.290)
Revaluation Reserve	(0.300)	(0.355)	(0.101)	(0.165)	-	(0.024)	(0.945)
Common Good Balance	(0.217)	(1.068)	(0.469)	(0.067)	(0.017)	(0.156)	(1.994)
	(0.517)	(2.550)	(0.667)	(0.232)	(0.017)	(0.246)	(4.229)



The **Trusts** administered by the Council do not represent assets available to the Council. As such, these cash balances have been included in the Council's balance sheet under creditors. The Trust statement below is prepared on an accruals basis. This differs from the Trustees' Annual Reports, required by the Office of the Scottish Charity Regulator (OSCR) where the Council is sole trustee, which are prepared on a receipts and payments basis. A Trustees' Annual Report has been prepared for all trusts except 'Other Bequests', which are not registered with OSCR.

Income and Expenditure Account	North Ayrshire Charitable Trust £m	Town Trusts £m	Douglas Sellers Trust £m	Anderson Park Trust £m	Margaret Archibald Trust £m	Other Bequests £m	Total £m
Surplus at 1 April 2018	(0.082)	(0.183)	(0.002)	(0.001)	(0.181)	(0.043)	(0.492)
Income	(0.006)	(0.001)	-	-	(0.010)	-	(0.017)
Expenditure	0.004	0.123	0.001	-	0.009	-	0.137
(Surplus) / Deficit at 31 March 2019	(0.002)	0.122	0.001	-	(0.001)	-	0.120
Accumulated (surplus) / deficit at 31 March 2019	(0.084)	(0.061)	(0.001)	(0.001)	(0.182)	(0.043)	(0.372)
Balance Sheet at 31 March 2019	North Ayrshire Charitable Trust £m	Town Trusts £m	Douglas Sellers Trust £m	Anderson Park Trust £m	Margaret Archibald Trust £m	Other Bequests £m	Total £m
Investment Properties	0.150	-	-	-	-	-	0.150
Investments	0.013	-	-	-	0.140	0.001	0.154
Cash invested in NAC on behalf of the Funds	0.071	0.061	0.001	0.001	0.042	0.042	0.218
	0.234	0.061	0.001	0.001	0.182	0.043	0.522
Capital Adjustments Account	(0.026)	-	-	-	-	-	(0.026)
Revaluation Reserve	(0.124)	-	-	-	-	-	(0.124)
Trust Fund Balance	(0.084)	(0.061)	(0.001)	(0.001)	(0.182)	(0.043)	(0.372)
	(0.234)	(0.061)	(0.001)	(0.001)	(0.182)	(0.043)	(0.522)

Trust	Purpose of funds
North Ayrshire Charitable Trust	For the prevention or relief of poverty, the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended and the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage; and for the upkeep of war memorials and for the encouragement and promotion of education.
Town Trusts	For the prevention or relief of poverty, the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended and the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage; and for the advancement of education (Beith & Gateside only).
Douglas Sellers Trust	For the provision of recreational facilities, or the organisation of recreational activities in the Burgh of Irvine.
Anderson Park Trust	For the provision of recreational facilities, or the organisation of recreational activities in the Burgh of Largs.
Margaret Archibald Trust	For the relief of those in need aged 65 years and over and who reside in the Parish of Dalry.
Other Bequests	For the provision of school prizes at designated schools (Education Bequests); or for the maintenance of specific lairs within cemeteries (Burial Trusts); or other sundry purposes.



Non Domestic Rates Account

The **Non-Domestic Rates Account** is a statement that shows the gross income from rates and deductions made under statute.

The net income is paid to the Scottish Government as a contribution to the National Non-Domestic Rates (NNDR) pool.

The table below details the actual levels of NNDR collected by North Ayrshire Council, and the overall difference between the rates collected and the amount that the Council is entitled to receive under the national pooling arrangement.

2017/18 £m		2018/19 £m
55.114	Gross rates levied	56.579
	Less:	
(12.992)	Reliefs and other deductions	(13.759)
(0.636)	Write-offs of Uncollectable debts and allowance for impairment	(0.651)
41.486	Net Non-Domestic Rate Income	42.169
(3.041)	Adjustment for years prior to the introduction of the pool	(0.704)
2.123	Net contribution (to) / from National Non-Domestic Rate pool	(1.994)
40.568	Net NDR Income	39.471
-	Non Domestic Rates Income Retained (BRIS)	0.240
40.568	Net NDR Income transferred to General Fund	39.711

Under the Business Rates Incentivisation Scheme 2016-19, the Scottish Government has confirmed that North Ayrshire Council has retained £0.240m representing the 50 percent share of the additional rates income generated in 2016/17.

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government.

The NNDR poundage rate set by the Scottish Government for 2018/19 was 50.6p for subjects with a rateable value above £51,000 and 48.0p for subjects with a rateable value equal to or less than £51,000.

North Ayrshire Council Rateable Values at 1 April 2018	£m
Commercial	78.901
Industrial and Freight Transport	31.078
Public Undertakings	4.370
Others	1.575
Less: Part Residential and Fishing Rights rateable values not billed for	(0.091)
Total	115.833

Analysis of Rateable Values	2018/19 £m
Rateable Value at 1 April 2018	115.833
Adjustments (Full Year Rateable Value)	(0.637)
Rateable Value at 31 March 2019	115.196
Less: Wholly Exempt Subjects	(1.058)
Net Rateable Value at 31 March 2019	114.138



Council Tax Account

The **Council Tax Account** shows the gross income raised from council taxes levied and deductions made under Statute.

The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

Local authorities raise taxes from its residents through Council Tax, which is a tax linked to property values. Each dwelling in a local Council area is placed into one of eight valuation bands (A to H).

The Council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (bands A to C) paying less and higher valued properties (bands E to H) paying more.

2017/18 £m		2018/19 £m
73.959	Gross Council Tax levied and contributions in lieu	76.504
0.412	Adjustment for prior years Council Tax	0.644
74.371		77.148
	Adjusted for:	
(11.342)	Council Tax Reduction	(11.268)
(9.493)	Other discounts and reductions	(10.090)
(1.890)	Provision for Non-collection	(1.948)
(22.725)		(23.306)
51.646	Net Council Tax Income transferred to General Fund	53.842

North Ayrshire Council Tax per Band

Based on the Council Tax base available to North Ayrshire Council, the band D charge for 2018/19 was £1,222.16.

2017/18 £	Band	2018/19 £
791.04	A	814.77
922.88	B	950.56
1,054.72	C	1,086.36
1,186.56	D	1,222.16
1,559.01	E	1,605.78
1,928.16	F	1,986.01
2,323.68	G	2,393.39
2,907.07	H	2,994.29



Calculation of Council Tax Base

Properties can be exempt if they are unoccupied or occupied by certain categories of resident. A reduction may be applied if a resident is disabled. A discount of 25% is available for properties occupied by one liable person aged 18 or over.

	Number of Dwellings	Properties subject to Disabled Relief	Dwellings entitled to 25% Discounts	Dwellings entitled to 50% Discounts	Reduction in Tax Base due to Council Tax Reduction	Total Number of Dwellings	Ratio to Band D	2018/19 Band D Equivalent Dwellings	2017/18 Band D Equivalent Dwellings
Band A*									
Band A	21,756	996	(25)	2,947	445	6,768	10,625	0.67	7,083
Band B	18,374	520	45	1,885	214	4,036	11,674	0.78	9,080
Band C	7,099	183	4	703	176	859	5,174	0.89	4,599
Band D	6,848	148	(53)	540	166	422	5,625	1.00	5,625
Band E	8,880	136	50	535	188	283	7,688	1.31	10,101
Band F	3,956	50	25	169	70	73	3,569	1.63	5,800
Band G	1,186	15	7	43	20	16	1,085	1.96	2,125
Band H	59	2	2	2	3	0	50	2.45	123
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent									
Sub-total						45,507		44,551	44,290
Less Bad Debt Provision at 3.5%								(1,559)	(1,550)
Council Tax Base								42,992	42,740

* Band A* relates to Band A properties subject to disabled relief.

Notes to the Accounts

Note 1: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

In accordance with the Code of Practice on Local Authority Accounting transactions between segments are excluded from the Comprehensive Income and Expenditure Statement. The 2017/18 figures have been restated to remove the impact of internal transactions which were previously reported. This has no material impact and does not change the Net Cost of Services reported for the year.

2017/18 (restated)			2018/19		
Net Expenditure Chargeable to the General Fund and HRA balances £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m	Net Expenditure Chargeable to the General Fund and HRA balances £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
3.482	0.385	3.867	Chief Executive and Democratic Services	3.565	0.408
16.277	2.970	19.247	Finance & Corporate Support	17.531	2.878
103.260	0.073	103.333	Education and Youth Employment	110.599	(3.621)
58.040	56.370	114.410	Place	57.481	37.777
21.176	5.684	26.860	Economy and Communities	19.508	3.698
89.347	2.582	91.929	Health and Social Care Partnership	95.169	2.994
7.259	17.644	24.903	Other Corporate Items	7.040	18.137
298.841	85.708	384.549	Cost Of General Fund Services	310.893	62.271
2.284	(7.898)	(5.614)	Housing Revenue Account	6.216	(9.916)
301.125	77.810	378.935	Net Cost of Services	317.109	52.355
(300.626)	(31.670)	(332.296)	Other Income and Expenditure	(309.615)	(8.878)
0.499	46.140	46.639	(Surplus) or Deficit on Provision of Services	7.494	43.477
(46.753)			General Fund and HRA Balance at 1 April	(46.862)	
0.499			Surplus on Provision of Services	7.494	
(0.608)			Transfers to/from Other Statutory Reserves	(4.908)	
(46.862)			General Fund and HRA Balance at 31 March (Note 11)	(44.276)	



For statutory accounting purposes, the undenoted adjustments are required to be included within the Comprehensive Income and Expenditure Statement. These adjustments are not charged to the Council for Council Tax or Rent setting purposes and are excluded from the General Fund and HRA Balances available to support services.

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			
	Adjustments for Capital Purposes (Note A) £m	Net Change for Pension Adjustments (Note B) £m	Other Differences (Note C) £m	Total Adjustments £m
Chief Executive and Democratic Services	-	0.414	(0.006)	0.408
Finance & Corporate Support	1.154	1.692	0.032	2.878
Education and Youth Employment	0.017	3.228	(6.866)	(3.621)
Place	34.121	4.963	(1.307)	37.777
Economy and Communities	2.078	1.703	(0.083)	3.698
Health and Social Care Partnership	0.030	5.973	(3.009)	2.994
Other Corporate Items	1.847	14.270	2.020	18.137
Cost Of General Fund Services	39.247	32.243	(9.219)	62.271
Housing Revenue Account	(10.624)	1.139	(0.431)	(9.916)
Net Cost of Services	28.623	33.382	(9.650)	52.355
Other Income and Expenditure from the Funding Analysis	(21.741)	3.146	9.717	(8.878)
Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit	6.882	36.528	0.067	43.477

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18			
	Adjustments for Capital Purposes (Note A) £m	Net Change for Pension Adjustments (Note B) £m	Other Differences (Note C) £m	Total Adjustments £m
Chief Executive and Democratic Services	-	0.385	-	0.385
Finance & Corporate Support	1.126	1.788	0.056	2.970
Education and Youth Employment	0.031	2.805	(2.763)	0.073
Place	52.771	4.852	(1.253)	56.370
Economy and Communities	4.163	1.652	(0.131)	5.684
Health and Social Care Partnership	0.073	5.603	(3.094)	2.582
Other Corporate Items	16.269	(0.536)	1.911	17.644
Cost Of General Fund Services	74.433	16.549	(5.274)	85.708
Housing Revenue Account	(8.239)	0.790	(0.449)	(7.898)
Net Cost of Services	66.194	17.339	(5.723)	77.810
Other Income and Expenditure from the Funding Analysis	(43.015)	6.463	4.882	(31.670)
Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit	23.179	23.802	(0.841)	46.140



Note A Adjustments for Capital Purposes

This column includes depreciation and impairment of non-current assets, amortisation of intangible assets, capital grants and contributions which have been applied to capital financing, gains and losses on the disposal of non-current assets, statutory charges for the financing of capital investment, capital expenditure charged against the General Fund and HRA balances and any adjustments involving the Capital Fund.

Note B Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income. This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs; and the net interest on the defined benefit liability charged to the CIES.

Note C Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute include the amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements, the amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements and the removal of the impact of internal recharges in accordance with Code requirements

Note 2: Expenditure and Income Analysed by Nature

This note details the subjective analysis of the Gross Income and Expenditure reported on the Comprehensive income and Expenditure Statement.

2017/18 £m		2018/19 £m
	Expenditure	
235.377	Employee Benefits Expenses	264.739
322.172	Other Service Expenses	326.530
89.344	Depreciation Amortisation and Impairment	55.679
46.623	Interest Payments	48.377
0.162	Losses on Disposal of Assets	-
693.678	Total Expenditure	695.325
	Income	
(267.958)	Fees, Charges and Other Service Income	(277.484)
(0.486)	Gains on Disposal of Assets	(0.063)
(22.879)	Interest and Investment Income	(25.074)
(51.646)	Council Tax	(53.842)
(304.070)	Government Grants and Contributions	(287.891)
(647.039)	Total Income	(644.354)
46.639	Deficit on the Provision of Services	50.971

Note 3: Other Operating Expenditure and Income

2017/18 £m		2018/19 £m
(0.324)	(Gains)/losses on the disposal of non current assets	(0.063)
(0.324)	Total	(0.063)



Note 4: Financing and Investment Income and Expenditure

2017/18 £m		2018/19 £m
17.279	Interest payable and similar charges	20.435
6.680	Pensions interest cost and expected return on pensions assets	3.241
(0.215)	Interest receivable and similar income	(0.373)
23.744	Total	23.303

Note 5: Material Items

The Comprehensive Income and Expenditure Statement (CIES) includes material items in relation to the impairment of Council Houses following a review of the discount factor used in their valuation, (£36.3m) and actuarial losses on the net pension liability (£58.3m) related to increased inflation and a reduced discount rate resulting in an increase in the value of pension liabilities within the Scheme.

Note 6: Agency Services

The Council has received the following fee income in relation to the collection of water rates on behalf of Scottish Water:

2017/18 £m		2018/19 £m
(0.515)	Agency income from Scottish Water	(0.515)
0.275	Cost of Collection associated with this income	0.225

Note 7: External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditor:

2017/18 £m		2018/19 £m
0.295	Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.297
0.004	Fees payable with regard to external audit services carried out for s106 charities	-
0.299	Total	0.297



Note 8: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

2017/18 £m		2018/19 £m
	Credited to Taxation and Non Specific Grant Income	
(225.141)	General Revenue Grant	(228.387)
(51.646)	Council Tax	(53.842)
(40.568)	Non Domestic Rates	(39.711)
(38.361)	Capital Grants and Contributions	(19.793)
(355.716)	Total	(341.733)
	Credited to Services	
(52.937)	Housing Benefit Funding	(46.459)
(22.538)	Health Resource Transfer	(23.189)
(2.304)	Pupil Equity Fund	(5.886)
(4.143)	Attainment Grant	(5.513)
(3.573)	Criminal Justice Grant	(3.550)
(0.234)	Schools for the Future	(3.349)
(0.594)	Early Years	(2.508)
(0.296)	Better Off North Ayrshire	(1.465)
(0.723)	EMA & Activity Agreements	(0.732)
(0.747)	Benefit Admin Subsidy	(0.672)
(0.563)	Syrian Relocation / Unaccompanied Asylum Seekers	(0.633)
(0.565)	Pipeline Grant	(0.602)
(0.680)	General Capital Grant	(0.549)
(0.297)	Sports Facilities Grant	(0.364)
-	Care Experienced Children & Young People	(0.332)
(0.220)	Equalities Unit Funding	(0.264)
-	Vacant & Derelict Land Reform	(0.256)
(0.494)	YEI Grant	(0.255)
(0.235)	Skills Development Scotland	(0.245)
-	Severe winter weather grant	(0.213)
(0.168)	Creative Scotland Grants	(0.176)
(0.170)	SPT Travel Smart	(0.147)
	Sustrans - Lochshore	(0.126)
(0.081)	Poverty and Social Inclusion	(0.130)
(0.099)	Community Link Workers	(0.125)
(0.126)	European Regional Development Fund	(0.109)
(0.100)	Technology bid grant	(0.100)
(0.599)	Other Minor Grants	(0.735)
(92.486)	Total	(98.684)



Note 9: Leases

Council as Lessee

Operating Leases

The Council has acquired a suite of fitness equipment and a fleet of electric vehicles by entering into operating leases, with typical lives of between three and five years.

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

2017/18 £m	2018/19 £m
0.101 Not later than one year	0.099
0.111 Later than one year and not later than five years	0.088
0.212	0.187

The expenditure charged to the CIES during the year in relation to these leases was:

2017/18 £m	2018/19 £m
0.102 Minimum Lease Payments	0.072

Finance Leases

North Ayrshire Council has no finance leases where the Council is the lessee.

Council as Lessor

Finance Leases

North Ayrshire Council has no finance leases where the Council is the lessor.

Operating Leases

The Council leases out property and equipment under cancellable operating leases for the following purposes:

- for the provision of community services, such as leisure facilities; and
- for economic development purposes to provide suitable affordable premises for local businesses

All Council operating leases are cancellable; therefore no lease payments are receivable under non-cancellable leases.



Note 10: Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total CIES recognised by the Council in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Movements in 2018/19	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
Reversal of items debited or credited to the CIES	£m	£m	£m	£m	£m
Charges for depreciation of non current assets	30.869	15.409	-	46.278	(46.278)
Amortisation of intangible assets	0.427	-	-	0.427	(0.427)
Impairment of non current assets	7.951	1.023	-	8.974	(8.974)
Capital grants and contributions that have been applied to capital financing	(10.121)	(9.672)	-	(19.793)	19.793
(Gains)/losses on the disposal of non current assets	(0.055)	(0.008)	-	(0.063)	0.063
Statutory provision for the financing of capital investment	(11.382)	(2.393)	-	(13.775)	13.775
Capital expenditure charged against the General Fund and HRA balances	(0.183)	(14.983)	-	(15.166)	15.166
Adjustments involving the Capital Fund	-	-	2.031	2.031	(2.031)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.484)	(0.297)	-	(0.781)	0.781
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	35.384	1.144	-	36.528	(36.528)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.846	0.002	-	0.848	(0.848)
Total Adjustments	53.252	(9.775)	2.031	45.508	(45.508)



Comparable Movements in 2017/18

Movements in 2017/18	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
Reversal of items debited or credited to the CIES	£m	£m	£m	£m	£m
Charges for depreciation of non current assets	23.501	14.799	-	38.300	(38.300)
Amortisation of intangible assets	0.467	-	-	0.467	(0.467)
Impairment of non-current assets	50.465	0.112	-	50.577	(50.577)
Capital grants and contributions that have been applied to capital financing	(32.006)	(6.355)	-	(38.361)	38.361
(Gain)/loss on the disposal of non-current assets	(0.486)	0.162	-	(0.324)	0.324
Statutory provision for the financing of capital investment	(10.523)	(2.197)	-	(12.720)	12.720
Capital expenditure charged against the General Fund and HRA balances	-	(14.760)	-	(14.760)	14.760
Adjustments involving the Capital Fund	-	-	2.189	2.189	(2.189)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.467)	(0.314)	-	(0.781)	0.781
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	23.012	0.790	-	23.802	(23.802)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.060)	-	-	(0.060)	0.060
Total Adjustments	53.903	(7.763)	2.189	48.329	(48.329)



Note 11: Transfers to/(from) Funds

	31 March 2018 £m	Income £m	Expenditure £m	31 March 2019 £m	Purpose of Reserve
General Fund Balance unearmarked	6.624	0.309	-	6.933	The balance at 31 March 2019 represents 2% of budgeted expenditure.
Education DMR	0.677	0.447	(0.677)	0.447	The Devolved Management Scheme enables schools to carry forward balances to be utilised in future years.
Affordable Housing	4.391	1.059	(2.032)	3.418	This fund is ring-fenced to contribute towards the provision of new build social housing.
Loans Fund Reserve	3.527	2.683	-	6.210	This fund is earmarked to support borrowing linked to the Capital Investment Programme.
Earmarked Funds	14.056	5.288	(7.303)	12.041	This fund relates to various specific projects for which monies or funding have been identified prior to 31 March 2019, but spending plans exist relating to 2019/20 or beyond.
Change & Service Redesign Fund	3.915	-	(1.111)	2.804	This sum is earmarked for delivery of the Council's Change Programme.
Commonwealth / Legacy Fund	0.045	-	(0.035)	0.010	This sum is earmarked to support Commonwealth Games legacy and commemorative activities.
General Fund	33.235	9.786	(11.158)	31.863	
Housing Revenue Account	13.627	0.554	(1.768)	12.413	The balance on the HRA includes £7.0m earmarked for new house building and £1.0m retained as contingency.
HRA Balance	13.627	0.554	(1.768)	12.413	
Total General Fund and HRA Balances	46.862	10.340	(12.926)	44.276	
Repairs & Renewals Fund	0.288	0.002	(0.290)	-	The balance of this fund has been transferred to the General Fund Balance unearmarked.
Insurance Fund	2.609	0.015	(0.011)	2.613	This fund meets the Council's share of outstanding claims against the Council and its predecessors and is subject to actuarial valuation on a triennial basis.
Capital Fund	9.231	2.375	(4.968)	6.638	The remaining balance has been earmarked to fund the 2019-2027 capital programme.
Other Reserves	12.128	2.392	(5.269)	9.251	
Total Usable Reserves	58.990	12.732	(18.195)	53.527	



Note 12: Property, Plant and Equipment

Movements in 2018/19:

Cost or Valuation	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equipment £m	Infra- Structure Assets £m	Community Assets £m	Surplus Assets £m	Assets under Construction £m	Total £m	PPP/NPD Assets Included in Property Plant & Equipment £m
Balance at 1 April 2018	450.601	456.813	39.299	122.754	2.558	7.148	28.944	1,108.117	109.475
Reclassification of Assets	14.348	2.571	0.106	1.189	0.117	4.730	(23.061)	-	-
Additions	9.640	-	3.701	7.641	0.303	-	39.711	60.996	-
Revaluation decreases recognised in the Revaluation Reserve	(35.210)	(5.211)	-	-	-	(2.008)	-	(42.429)	-
Impairments recognised in the Net Cost of Services	(1.023)	(6.998)	-	-	-	(1.569)	-	(9.590)	-
Derecognition - Disposals	-	-	(2.287)	-	-	(1.321)	-	(3.608)	-
Assets reclassified to Held for Sale	-	0.012	-	-	-	(0.027)	-	(0.015)	-
Balance at 31 March 2019	438.356	447.187	40.819	131.584	2.978	6.953	45.594	1,113.471	109.475
<hr/>									
Accumulated Depreciation and Impairment									
Balance at 1 April 2018	-	16.414	31.144	45.251	0.569	-	-	93.378	-
Reclassification of Assets	-	(0.185)	-	-	-	0.185	-	-	-
Depreciation charge	14.820	23.115	3.324	4.636	0.137	0.274	-	46.306	5.323
Depreciation written out to the Revaluation Reserve	-	(3.094)	-	-	-	(0.459)	-	(3.553)	-
Depreciation written out to the Net Cost of Services	-	(0.644)	-	-	-	-	-	(0.644)	-
Derecognition - Disposals	-	-	(2.254)	-	-	-	-	(2.254)	-
Assets reclassified to Held for Sale	-	-	-	-	-	-	-	-	-
Balance at 31 March 2019	14.820	35.606	32.214	49.887	0.706	-	-	133.233	5.323
<hr/>									
Net Book Value									
Balance at 31 March 2019	423.536	411.581	8.605	81.697	2.272	6.953	45.594	980.238	104.152
Balance at 31 March 2018	450.601	440.399	8.155	77.503	1.989	7.148	28.944	1,014.739	109.475



Comparative Movements in 2017/18:

							PPP/NPD Assets Included in Property Plant & Equipment £m
	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equipment £m	Infra-Structure Assets £m	Community Assets £m	Surplus Assets £m	Assets under Construction £m
							Total £m
Cost or Valuation							
Balance at 1 April 2017	474,644	472,227	38,311	108,359	2,068	6,606	49,380
Reclassification of Assets	5,520	52,503	0.239	2,233	0.029	35,093	(95,762)
Additions	13,030	-	2,970	12,162	0.461	-	75,326
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(41,409)	(28,110)	-	-	-	(15,286)	-
Impairments recognised in the Net Cost of Services	-	(39,624)	-	-	-	(18,310)	-
Derecognition - Disposals	(1,184)	-	(2,221)	-	-	(0.700)	-
Assets reclassified (to)/from Held for Sale	-	(0,183)	-	-	-	(0.255)	-
Balance at 31 March 2018	450,601	456,813	39,299	122,754	2,558	7,148	28,944
Accumulated Depreciation and Impairment							
Balance at 1 April 2017	39,432	45,100	30,431	40,751	0,454	0.001	-
Reclassification of Assets	-	(7,762)	-	-	-	7,762	-
Depreciation charge	14,666	14,969	2,935	4,500	0.115	1,117	-
Depreciation written out to the Revaluation Reserve	(53,979)	(31,690)	-	-	-	(5,667)	-
Depreciation written out to the Net Cost of Services	-	(4,195)	-	-	-	(3,213)	-
Derecognition - Disposals	(0,119)	-	(2,222)	-	-	-	(7,408)
Assets reclassified (to)/from Held for Sale	-	(0,008)	-	-	-	-	(2,341)
Balance at 31 March 2018	-	16,414	31,144	45,251	0,569	-	93,378
Net Book Value							
Balance at 31 March 2018	450,601	440,399	8,155	77,503	1,989	7,148	28,944
Balance at 31 March 2017	435,212	427,127	7,880	67,608	1,614	6,605	49,380

Note 13: Fair Values

The Fair Value for the following 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 North 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.

Fair values for the Council's Surplus Properties as at 31 March 2019 are as follows:

Fair Value as at 31 March 2018 £m	North Ayrshire Council	Fair Value as at 31 March 2019 £m
6.852	Land	6.875
0.190	Residential Accommodation	-
0.080	Offices	0.078
0.027	Industrial Units	-
7.149	Total	6.953

Fair values for the Investment Properties held by the Common Good and Trust Funds as at 31 March 2019 are as follows:

Fair Value as at 31 March 2018 £m	Common Good / Trusts	Fair Value as at 31 March 2019 £m
1.230	Land	1.257
0.855	Offices	0.855
0.270	Community use	0.273
2.355	Total	2.385

Note 14: Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom defines a heritage asset as 'a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'.

All items are deemed to have indefinite lives and reasonably high residual values; therefore there is no depreciation charge associated with the Council's identified Heritage Assets.

North Ayrshire Council holds title to other Heritage Assets, whose value is not recognised in the Balance Sheet. This is either because the value is not material, or it has not been deemed practicable to obtain valuations, or there is no apparent market for their disposal.

Such assets can be grouped as follows:

- Castles
- Monuments
- War Memorials
- Museum and Gallery items valued at less than £10,000

The valuation of the assets has been undertaken by a combination of external and internal valuers including the valuation of Fine Art by Shapes Auctioneers and Valuers, 2009, and items of Fine Art, Silverware and Historic Artefacts valued by Bonhams, 2016.

Reconciliation of the carrying value of Heritage Assets held by North Ayrshire Council:



Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2018	0.591	0.139	0.420	0.177	1.327
Movement in Year	-	-	-	-	-
Balance at 31 March 2019	0.591	0.139	0.420	0.177	1.327

Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2017	1.591	0.139	0.420	0.177	2.327
Movement in Year:					
Revaluations	(1.000)	-	-	-	(1.000)
Balance at 31 March 2018	0.591	0.139	0.420	0.177	1.327

Note 15: Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are in respect of purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 5 to 6 years. The carrying amount of intangible assets is amortised on a straight-line basis.

The Council recognises the purchase of carbon allowances as a current or short term intangible asset. The allowances will be surrendered during the next financial year.

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

2017/18 £m	Long Term Intangible Assets	2018/19 £m
	Balance at start of year:	
4.287	Gross carrying amounts	4.627
(2.811)	Accumulated amortisation	(3.278)
1.476	Net carrying amount at start of year	1.349
0.340	Additions	-
-	Reclassifications	-
(0.467)	Amortisation for the period	(0.427)
1.349	Net carrying amount at end of year	0.922
	Comprising:	
4.627	Gross carrying amounts	4.627
(3.278)	Accumulated amortisation	(3.705)
1.349		0.922



0.397	Net carrying amount at start of year	0.462
0.328	Additions	0.052
(0.263)	Disposals	(0.262)

Note 16: Assets Held for Sale

1.083	Balance at 1 April	0.674
	Assets newly classified as held for sale:	
0.430	Property, Plant and Equipment	0.015
0.174	Revaluations	0.903
(1.013)	Assets disposed of during the year	(1.044)

Note 17: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The table below excludes those assets acquired under PPP/NPD contracts.

	2018/19		2017/18	
	General Fund £m	HRA £m	General Fund £m	HRA £m
Opening Capital Financing Requirement	174.869	118.402	183.800	117.116
Capital investment				
Property, Plant and Equipment	32.006	-	31.811	-
Intangible Assets	-	-	0.195	-
Council Dwellings	-	28.990	-	25.510
	32.006	28.990	32.006	25.510
Sources of finance				
Sale of Council Houses	-	-	-	0.898
Sale of other Assets	0.129	0.032	-	0.014
Grants and other contributions	10.121	9.672	32.006	6.355
Contribution from Reserves	0.268	-	-	-
Direct revenue contributions	0.183	14.983	-	14.760
Loans Fund Principal	8.806	2.393	8.931	2.197
Closing Capital Financing Requirement	187.368	120.312	174.869	118.402



Depreciation

As highlighted in Note 41: Accounting Policies, under Property, Plant and Equipment on pages 90 to 92, depreciation is provided for on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the following table:

Category	Useful Life (Years)	Valuer	Basis of Valuation	Date of last full valuation
Council Dwellings	26	Internal RICS Valuer	Existing Use Value for Social Housing 'Beacon Principle'	31/03/2018
Other Land and Buildings	50	Internal RICS Valuer	Open Market Value Existing Use or Depreciated Replacement Cost Existing Use (Specialised Operational Properties)	Valued on a 5 year rolling programme
Other Land & Buildings - Schools	50	External RICS Valuer	Depreciated Replacement Cost Existing Use	Valued on a 5 year rolling programme
Surplus	50	Internal RICS Valuer	Fair Value (Market Value) Highest and Best Use	31/03/2019
Vehicles	5-10	n/a	Historical Cost	n/a
Infrastructure Assets	Up to 40	n/a	Historical Cost	n/a
Plant and Equipment	5-20	n/a	Historical Cost	n/a
Community Assets	30	n/a	Historical Cost	n/a

Commitments under capital contracts

At 31 March 2019, the Council has approved capital investment programmes for both General Services and Housing, for construction or enhancement of Property, Plant and Equipment. Contractual commitments in place at 31 March 2019 are as follows:

Capital Commitments	At 31 March 2019
General Services Programme Major Projects	£m
New Build ASN School and Residential & Respite Unit	29.683
Tarryholme Drive	3.900
Annick Primary	2.844
Irvine Public Realm	1.564
Quarry Road, Irvine	1.315
Other General Services Capital Commitments	2.012
Total Contractual Commitment	41.318

Capital Commitments	At 31 March 2019
General Services Programme Major Projects	£m
New Build ASN School and Residential & Respite Unit	29.683
Tarryholme Drive	3.900
Annick Primary	2.844
Irvine Public Realm	1.564
Quarry Road, Irvine	1.315
Other General Services Capital Commitments	2.012
Total Contractual Commitment	41.318
HRA Programme	£m
Ardrossan Road, Seamill	4.621
Watt Court Sheltered Housing Unit	3.533
Dickson Drive, Irvine - Phase 2	1.891
Connell Court	1.243
Total Contractual Commitment	11.288



Note 18: Long Term Debtors

2017/18 £m		2018/19 £m
0.835	North Ayrshire Ventures Trust Ltd	0.690
0.147	Advances for House Purchases	0.147
0.017	Car Loans	0.003
0.013	Leisure Loans	0.006
1.012	Total	0.846

Note 19: Private Finance Initiatives, Non Profit Distributing Models and Similar Contracts

North Ayrshire Council Schools PPP Contract

2018/19 was the twelfth year of a 30-year PPP contract for the construction, maintenance and operation of four schools: Stanley Primary, Arran High, Greenwood Academy and St Matthew's Academy. The schools provide leisure facilities to the community outwith the school day. This is run by North Ayrshire Leisure Limited. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools.

The buildings, and any plant and equipment installed in them at the end of the contract, will be transferred to North Ayrshire Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Largs Campus DBFM Contract

2018/19 was the first full year for Largs Campus. This new campus has been procured through a 25 year Design, Build, Finance and Maintain (DBFM) contract. This Campus covers a secondary school, two primary schools and one early years' centre.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The buildings, and any plant and equipment installed in them at the end of the contract, will be transferred to North Ayrshire Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 12.

Payments

For PPP the Council makes an annual agreed payment which is uplifted each year by 2/3 of the increase in the retail price index (RPI). For DBFM the Council makes an agreed payment each year uplifted by 21% of the increase in RPI. Both payments can be reduced if the contractor fails to meet availability and performance standards in any year.

Remaining payments to be made under the PPP and DBFM contracts at 31 March 2019 (based on an estimate of the cash amount that will actually be paid and excluding availability / performance deductions) are as follows:



	Service Charges £m	Liability Repayment £m	Interest Repayment £m	Contingent Rentals £m	Total £m
Payable in 2019/20	7.506	3.157	6.343	1.170	18.176
Payable within two to five years	23.467	14.623	22.822	5.441	66.353
Payable within six to ten years	35.715	22.275	24.162	9.397	91.549
Payable within eleven to fifteen years	40.696	28.067	17.972	12.760	99.495
Payable within sixteen to twenty years	30.665	33.742	8.509	17.624	90.540
Payable within twenty one to twenty five years	5.397	9.189	3.293	0.269	18.148
Total	143.446	111.053	83.101	46.661	384.261

Although the payments made to the contractors are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed.

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

2017/18 £m		2018/19 £m
68.552	Balance outstanding at 1 April	113.620
(1.561)	Payments during the year	(2.567)
46.629	Additions	-
113.620	Balance outstanding at 31 March	111.053

Note 20: Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Category:	Long Term		Current		Total	
		31/03/19 £m	31/03/18 £m	31/03/19 £m	31/03/18 £m	31/03/19 £m	31/03/18 £m
Loans and receivables:							
Cash (including bank)	Amortised Cost	-	-	16.858	26.019	16.858	26.019
Bank overdraft	Amortised Cost	-	-	(2.306)	(5.750)	(2.306)	(5.750)
Cash and cash equivalents		-	-	14.552	20.269	14.552	20.269
Short Term Investments	Amortised Cost	-	-	5.028	-	5.028	-
Investments	Group Entity	0.350	0.350	-	-	0.350	0.350
Debtors	Amortised Cost	0.846	1.012	41.667	39.778	42.513	40.790
Total Financial Assets		1.196	1.362	61.247	60.047	62.443	61.409
Loans at amortised cost:							
Principal sums	Amortised Cost	189.108	169.191	74.107	77.279	263.215	246.470
Accrued interest	Amortised Cost	-	-	1.150	1.040	1.150	1.040
Effective Interest Rate adjustment	Amortised Cost	0.831	0.829	-	-	0.831	0.829
Total borrowing		189.939	170.020	75.257	78.319	265.196	248.339
Trade payables	Amortised Cost	-	-	65.853	60.818	65.853	60.818
PPP/NPD liabilities	Amortised Cost	-	-	3.156	2.566	3.156	2.566
Short-term creditors		-	-	69.009	63.384	69.009	63.384
PPP/NPD liabilities	Amortised Cost	107.897	111.054	-	-	107.897	111.054
Total Financial Liabilities		297.836	281.074	144.266	141.703	442.102	422.777



Financial Assets

A financial asset is a right to receive cash or another financial instrument. Financial assets held by the Council during the year can be classified as follows:

- Cash in hand and in bank call accounts;
- Bank fixed term deposits (investments);
- Trade receivables (debtors); and
- Loans made for service purposes, including soft loans.

The adoption of IFRS9 has had no impact on the classification of financial assets and they continue to be held as Amortised Cost. There has been no movement on Opening Balances as a result of the transition to IFRS9.

Cash and cash equivalents

The bank overdraft figure reflects total debit balances on the Council's group of bank accounts with the Clydesdale Bank plc. The figure for Cash and Cash Equivalents in the balance sheet offsets the overdraft with cash at bank and in hand, as detailed in Note 36.

Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. Soft loans are valued by discounting the contractual payments at the market rate of interest for a similar loan.

The Council has one material soft loan, advanced to North Ayrshire Ventures Trust Limited. The loan was granted for a period of 9 years in 2014, for the purpose of furthering the Council's strategic priority of "Growing our economy, increasing employment and regenerating towns".

2017/18 £m		2018/19 £m
1.207	Value at 1 April	1.050
(0.211)	Amounts repaid to the Council	(0.215)
0.054	Fair value adjustments	0.074
1.050	Value at 31 March	0.909

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities held by the Council during the year can be classified as follows:

- Loans from the Public Works Loan Board (PWLB), commercial lenders and other local authorities;
- Overdraft with the Clydesdale Bank plc;
- Trade payables (creditors);
- Finance leases;
- Public Private Partnership (PPP) contracts; and
- Non Profit Distributing (NPD) contracts.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables 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, they have been categorised at Level 2 in the Fair Value hierarchy using the following assumptions:

- Loans borrowed by the Council have been valued by discounting cash flows over the life of the loan at appropriate market rates;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;



- The fair values of PPP and NPD liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond rate;
- No early repayment or impairment is recognised; and
- The fair value of short-term instruments, including trade payables and receivables, is taken to be the carrying amount or the billed amount

The calculated fair values are as follows:

At 31 March 2018 (Restated)		At 31 March 2019	
Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
422.777	630.626	Financial Liabilities	442.102
422.777	630.626	Total Liabilities	442.102
			647.108

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans in the market at the balance sheet date. This represents a notional future loss attributable to a commitment to pay interest to lenders above current market rates.

At 31 March 2018 (Restated)		At 31 March 2019	
Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
61.059	61.064	Loans and Receivables	62.093
61.059	61.064	Total Assets	62.093
			62.173

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made. This represents a notional future gain attributable to the commitment to receive interest at more than current market rates.

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2017/18			2018/19		
Liabilities measured at amortised cost	Loans and receivables measured at amortised cost	Total	Liabilities measured at amortised cost	Loans and receivables measured at amortised cost	Total
£m	£m	£m	£m	£m	£m
(17.279)	-	(17.279)	Interest expense	(21.216)	-
-	-	-	Losses on derecognition	0.781	-
(17.279)		(17.279)	Total expense in Surplus or Deficit on the Provision of Services	(20.435)	
-	0.215	0.215	Interest income	-	0.373
	0.215	0.215	Total income in Surplus or Deficit on the Provision of Services		0.373
(17.279)	0.215	(17.064)	Net gain/(loss) for the year	(20.435)	0.373
					(20.062)



Note 21: Risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with CIPFA's Prudential Code for Capital Finance in Local Authorities.

As part of this, the Council approves a Treasury Management and Investment Strategy before 1 April each financial year. This sets out the Council's exposure to the risks associated with financial instruments and also the measures taken to mitigate such risks.

The key risks are:

- Credit risk: the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk: the possibility that the Council might not have cash available to meet its commitments to make payments;
- Refinancing risk: the possibility that the Council may require to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk: the possibility that financial loss might arise for the Council as a result of changes in market variables, such as interest rates or equity prices.

Credit Risk: Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the annual Treasury Management and Investment Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. In recognition of the fact that credit ratings are not comprehensive indicators of default, the Council has regard to other measures, including:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

The Treasury Management and Investment Strategy for 2018/19 was approved by North Ayrshire Council on 28 February 2018 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2019 that this was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Allowances for expected credit losses have been determined for trade creditors, using the simplified approach, and the repayment of the HSCP's cumulative deficit, using lifetime expected credit losses based on the risk of delayed or reduced repayments linked to the HSCP's reported financial performance for the year.

The changes in loss allowance for our Debtors held at Amortised Cost during the year are as follows:

2017/18			2018/19		
Lifetime expected credit losses not credit impaired £m	Lifetime expected credit losses simplified approach £m	Total £m	Lifetime expected credit losses not credit impaired £m	Lifetime expected credit losses simplified approach £m	Total £m
-	4.106	4.106	Balance as at 1 April	0.800	4.624
0.800	0.518	1.318	Changes due to modifications which did not result in derecognition	0.736	0.440
0.800	4.624	5.424	As at 31 March 2019	1.536	5.064
					6.600



During the year the Council wrote off financial assets with a contractual amount outstanding of £0.310m (£0.207m 2017/18) which are still subject to enforcement activity.

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2019:

Gross Carrying Amount at 31 March 2018 £m		Credit Risk Rating	Gross Carrying Amount at 31 March 2019 £m
5.807	Lifetime expected credit losses	Internal Assessment	5.139
40.157	Simplified approach	Historic Experience	38.581
45.964			43.720

Liquidity risk

The Council manages its liquidity position through the setting and approval of prudential indicators, the approval and monitoring of the Treasury Management and Investment Strategy and through a comprehensive cash flow management system, as required by the CIPFA Code of Practice, which seeks to ensure that cash is available when needed.

The Council has ready access to borrowings at favourable rates from the PWLB and other local authorities and at higher rates from banks and building societies. There is no significant risk that it will be unable to raise finance to meet its commitments.

Refinancing risk

The Council maintains a significant debt and investment portfolio aligned to its underlying assets and capital investment programme. Whilst the cash flow procedures above are considered alongside refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

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

The maturity analysis of the principal sums borrowed is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (as approved by the Council in the Treasury Management and Investment Strategy on 28 February 2018):

At 31 March 2018 £m	Loans Outstanding	At 31 March 2019 £m	At 31 March 2019 %	Approved Upper Limit %	Approved Lower Limit %
79.845	Less than one year	77.264	21%	40%	0%
15.110	Between one and two years	19.632	5%	25%	0%
26.298	Between two and five years	14.287	4%	50%	0%
22.267	Between five and ten years	33.745	9%	75%	0%
216.570	More than ten years	229.340	61%	90%	25%
360.090	Total	374.268			
154.379	Public Works Loan Board	174.135			
53.848	Market Debt / LOBOs	53.881			
38.243	Temporary borrowing	35.199			
113.620	PPP/NPD Liabilities	111.053			
360.090	Total	374.268			



All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk: The Council is exposed to risk in terms of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council; for instance, a rise in interest rates would have the following effects (a fall in interest rates would have the reverse effect):

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be charged to the Surplus or Deficit on the Provision of Services and will affect the General Fund balance.

The Council's Treasury Management and Investment Strategy aims to mitigate these risks by setting upper limits on its exposure to fixed and variable interest rates. For 2018/19 these limits were £319.1m of total borrowing on fixed rate borrowing and £60.0m for variable rate borrowing.

At 31 March 2019, £230.1m of principal borrowing was exposed to fixed rates and £26.0m to variable rates. This excludes liabilities in respect of PPP and NPD contracts.

The Council's current portfolio of variable rate borrowing includes commercial loans known as LOBOs (Lender's Option Borrower's Option), taken out between 1985 and 2008. Under these agreements, the lender has an option at certain junctures to increase the interest rate offered. The borrower then has the option to accept the new rate or to repay the loan.

It is likely that lenders will only exercise their options when market rates have risen above the contractual loan rate. Since the average rate of the current LOBO portfolio is 5.3%, the interest rate risk associated with the Council's LOBOs is not deemed to be significant and the potential penalties charges may make the redemption of the loans an uneconomic option.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	At 31 March 2019 £m
Impact on tax-payers & rent-payers	
Increase on interest payable on variable rate borrowings	0.260
Increase in interest receivable on variable rate investments	-
Impact on Surplus or Deficit on the Provision of Services	0.260
Share of overall impact debited to the HRA	0.110
Decrease in fair value of fixed rate investment assets	(0.013)
Impact on Other Comprehensive Income and Expenditure	(0.013)
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(59.937)

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

Price risk: This would only apply where an investment is held as available for sale. The Council currently holds no available for sale investments and, excluding the pension fund, does not currently invest in equity shares or marketable bonds.



Foreign exchange risk: This would apply where funds are held in a foreign currency. At 31 March 2019, the Council held no foreign currency funds.

Note 22: Inventories

2017/18		2018/19			
Balance at 31 March £m		Balance at 1 April £m	Purchases £m	Recognised as an expense £m	Balance at 31 March £m
Consumables					
0.225	Catering	0.225	2.596	(2.665)	0.156
0.123	Streetscene & Waste	0.123	0.110	(0.121)	0.112
0.052	Transport Fuel	0.052	1.717	(1.720)	0.049
0.001	Other	0.001	-	-	0.001
Maintenance Materials					
0.409	Building Services	0.409	3.061	(3.127)	0.343
0.177	Roads	0.177	0.466	(0.440)	0.203
0.987	Total	0.987	7.950	(8.073)	0.864

Note 23: Short Term Debtors

2017/18		2018/19	
	£m		£m
19.824	Central government bodies		20.539
0.652	Other local authorities		1.249
2.199	NHS bodies		3.056
0.778	Public corporations and trading funds		0.629
16.325	Other entities and individuals		16.194
39.778	Total		41.667

Note 24: Short Term Borrowing

2017/18		2018/19	
	£m		£m
(0.038)	North Ayrshire Municipal Bank Ltd		(0.038)
(0.457)	PWLB		(12.327)
(77.824)	Market Debt / LOBOs / Other Local Authorities		(62.892)
(78.319)	Total		(75.257)

Note 25: Creditors

2017/18		2018/19	
	£m		£m
(18.507)	Central government bodies		(18.133)
(1.957)	Other local authorities		(1.372)
(0.486)	NHS bodies		(0.517)
(0.747)	Public corporations and trading funds		(1.285)
(41.687)	Other entities and individuals		(47.702)
(63.384)	Total		(69.009)



Note 26: Provisions

	Equal Pay / Single Status £m	Termination Benefits £m	Landfill Site Restoration £m	Employee Costs Paid Absences £m	Former Authorities £m	Development Costs £m	Total £m
Balance at 1 April 2018	(2.089)	(0.166)	(1.391)	-	(0.084)	(0.600)	(4.330)
Additional provisions made in 2018/19	-	(0.790)	(0.027)	(0.108)	(0.009)	(1.044)	(1.978)
Amounts written off in 2018/19	0.493	0.084	0.568	-	-	0.600	1.745
Amounts used in 2018/19	1.413	0.082	-	-	-	-	1.495
Balance at 31 March 2019	(0.183)	(0.790)	(0.850)	(0.108)	(0.093)	(1.044)	(3.068)

Equal Pay/Single Status

In 2014/15 a provision of £2.867m was made in respect of Equal Pay and Single Status. During 2018/19 £1.413m of the provision was utilised. As at 31 March 2019 the level of provision required is £0.183m, with £0.493 being released to the CIES as no longer required.

Termination Benefits

In 2018/19 a provision of £0.790m was required in relation to employee retiral commitments the Council had in place at 31 March 2019.

Landfill Site Restoration

This provision relates to the Council's landfill site at Shewalton in Irvine. During 2018/19, £0.568m was released for the capping of cell 5c and for aftercare costs. The increase in the provision for the unwinding of the discount was also recognised as an interest charge (£0.027m).

Employee Costs - Paid Absences

In accordance with IAS19 Employee Benefits provision has been made for the costs of paid employee absences arising from Flexi Time earned but not taken prior to 31 March 2019.

Former Authorities: Potential Claims

The Council has a potential liability to meet expenditure incurred in respect of the former Cunningham District Council and Strathclyde Regional Council. This includes shared liability in connection with estimated payments made by Municipal Mutual Insurance Limited (MMI) in respect of known claims against the former Councils.

Development Costs

This provision relates to estimated abnormal development costs in relation to Council House development sites. The opening provision in relation to Dickson Drive development was fully released in 2018/19, as it was subsequently identified that this was not required. In addition to this, further sums have been set aside for abnormal costs at two housing development sites at Flatt Road Largs and Harbourside, Irvine.



Note 27: Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by The Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council recognised £9.561m in respect of teachers' retirement benefits, representing 16.76% of pensionable pay. The figures for 2017/18 were £9.084mm and 16.81%. Due to the late agreement of the Teachers pay award £0.274m of contributions remain payable at the year-end. As a proportion of the total contributions into the Scheme during the year to 31 March 2019, North Ayrshire Council's contribution equates to approximately 2.29%. The estimated contribution for 2019/20 is £11.809m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 28. There were no additional costs included for 2018/19.

Note 28: Defined Benefit Pension Schemes

Participation in pension schemes

North Ayrshire Council participates in the Local Government (Scotland) Superannuation Scheme, administered by Glasgow City Council through the Strathclyde Pensions Fund. This is a funded defined benefits scheme, with both employer and employee making contributions, intended to balance the pension liabilities with investment assets.

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

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

Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against Council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.



The following transactions have been made in the CIES and the General Fund Balance via the Movement in Reserves Statement during the year:

2017/18 £m	Local Government Pension Scheme Comprehensive Income & Expenditure Statement	2018/19 £m
Cost of Services:		
37.389	Current service cost	40.980
1.134	Past service cost (including curtailments)	16.557
Financing and Investment Income and Expenditure:		
6.680	Net interest expense	3.242
45.203	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	60.779
Other Post Employment Benefit Charged to the CIES:		
(19.513)	Expected return on pension fund assets (excluding amounts included in net interest)	(29.661)
(148.546)	Actuarial (gains) / losses arising on changes in financial assumptions	87.918
(122.856)	Total Post Employment Benefit Charged to the CIES	119.036
Movement in Reserves Statement :		
144.257	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(94.785)
21.401	Contributions from employer payable to scheme	24.251

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 £m		2018/19 £m
(1,019.025)	Present value of the defined benefit obligation	(1,172.940)
914.868	Fair value of plan assets	973.998
(104.157)	Net liability arising from defined benefit obligation	(198.942)

Assets and Liabilities in Post-Employment Benefits

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

2017/18 £m		2018/19 £m
(1,119.122)	Balance as at 1 April	(1,019.025)
(37.389)	Current service cost	(40.980)
(29.344)	Interest cost	(27.942)
(5.883)	Contributions by scheme participants	(6.244)
Re-measurement (gains) and losses:		
50.687	Actuarial (gains) / losses arising on changes in financial assumptions	(85.719)
1.741	Changes in demographic assumptions	-
96.118	Other experience	(2.199)
(1.134)	Past service cost (including curtailments)	(16.557)
25.301	Benefits paid	25.726
(1,019.025)	Balance as at 31 March	(1,172.940)



Reconciliation of Fair Value of Scheme Assets

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

2017/18 £m		2018/19 £m
870.708	Balance as at 1 April	914.868
22.664	Interest income	24.700
	Re-measurement gains and (losses):	
19.513	Return on plan assets excluding amounts included in net interest	29.661
21.401	Contributions from employer payable to the scheme	24.251
5.883	Contributions by scheme participants	6.244
(25.301)	Benefits paid	(25.726)
914.868	Balance as at 31 March	973.998

Analysis of Pension Fund's Assets

North Ayrshire Council's share of the Pension Fund assets as at 31 March 2019 comprised:

At 31 March 2018	Portfolio Composition	At 31 March 2019
66%	Equity investments	66%
15%	Debt Instruments	15%
9%	Property	9%
10%	Cash	10%

Asset and Liability Matching (ALM) Strategy

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

Impact on the Council's Cash Flow

The objectives of the fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employer's contributions have been set at 19.3% for 2019/20.

The actuary has estimated the total amount of contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2020 at £20.074m, compared to estimated contributions for 2018/19 of £18.743m.

The assumed weighted average duration of the defined benefit obligation is 19.1 years.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2017. The valuation results have been projected forward to 31 March 2019 based on a range of assumptions.



The significant assumptions used by the actuary were:

At 31 March 2018	Local Government Pension Scheme Assumptions	At 31 March 2019
Long term expected rate of return on assets in the scheme:		
2.7%	Equity investments	2.4%
2.7%	Bonds	2.4%
2.7%	Other	2.4%
2.7%	Cash	2.4%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
21.4	Men	21.4
23.7	Women	23.7
Longevity at 65 for future pensioners:		
23.4	Men	23.4
25.8	Women	25.8
2.4%	Rate of inflation	2.5%
3.6%	Rate of increase in salaries	3.7%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%
Take up of option to convert annual pension into retirement lump sum		
50%	- for pre April 2009 service	50%
75%	- for post April 2009 service	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The following sensitivity analyses have been based on possible changes to the assumptions which could reasonably occur at the end of the reporting period. For each change they assume that the assumption being analysed changes while all other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	Increase in Employer Liability	
	£m	%
0.5% decrease in Real Discount Rate	113.895	10.0%
0.5% increase in the Salary Increase Rate	20.992	2.0%
0.5% increase in the Pension Increase Rate	90.439	8.0%

The impact of a decrease in these assumptions would be as above but with the movements reversed.

Court of Appeal ruling and regulatory changes

The assessment of liabilities in relation to the Local Government Pension Scheme (LGPS) has been revised by Strathclyde Pension Fund's actuaries, Hymans Robertson, based on a recent Court of Appeal in relation to transitional protection and regulatory changes in relation to Guaranteed Minimum Pension provision.

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which ensures that these members do not lose out from the introduction of the new scheme. Following a Court of Appeal ruling that similar transitional protections in other Schemes were unlawful on the grounds of age discrimination, there is a clear expectation that restitution will see many more members receiving enhanced benefits.

The Fund's actuary has revised the estimated liabilities of the Scheme in light of this ruling, resulting in a 1.8% increase in active member liabilities at 31 March 2019, equating to increased liabilities of £11.606m for North Ayrshire Council.



Following the introduction of the new Single State Pension in April 2016, regulations in relation to the Guaranteed Minimum Pension (GMP) have been revised to make pensions schemes responsible for ensuring that the GMP for members reaching state pension age between 6 April 2016 and 5 April 2021 keep pace with inflation. Strathclyde Pension Fund's actuary has revised their assumptions to include the extension of this interim solution to all members from 6 April 2016 onwards.

The estimated liabilities of the Scheme have been updated for this assumption resulting in increased liabilities of £2.617m for North Ayrshire Council.

Note 29: Unusable Reserves

2017/18 £m		2018/19 £m
170.784	Revaluation Reserve	117.993
440.064	Capital Adjustment Account	445.969
(9.114)	Financial Instruments Adjustment Account	(8.333)
(104.157)	Pensions Reserve	(198.942)
(6.884)	Accumulated Absences Account	(7.732)
490.693	Total Unusable Reserves	348.955

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

Only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created, are contained here. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £m		2018/19 £m
170.277	Balance at 1 April	170.784
5.754	Surplus or (deficit) on revaluation of non-current assets posted to the CIES	(37.973)
(4.228)	Difference between fair value depreciation and historical cost depreciation	(11.076)
(1.019)	Amount written off to the Capital Adjustment Account	(3.742)
170.784	Balance at 31 March	117.993

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.



2017/18 £m		2018/19 £m
460.185	Balance at 1 April	440.064
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(89.344)	Charges for depreciation and impairment of non current assets	(55.679)
0.324	(Gains)/losses on the disposal of non current assets	0.063
5.247	Adjusting amounts written out of the Revaluation Reserve	14.818
	Capital financing applied in the year:	
(2.189)	Adjustments involving the Capital Fund	(2.031)
-	Use of the Repairs and Renewals Fund to finance new capital expenditure	-
38.361	Capital grants and contributions credited to the CIES that have been applied to capital financing	19.793
12.720	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13.775
14.760	Capital expenditure charged against the General Fund and HRA balances	15.166
440.064	Balance at 31 March	445.969

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2017/18 £m		2018/19 £m
(9.895)	Balance at 1 April	(9.114)
0.776	Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.776
0.005	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0.005
(9.114)	Balance at 31 March	(8.333)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £m		2018/19 £m
(248.414)	Balance at 1 April	(104.157)
168.059	Actuarial gains/(losses) on pensions assets and liabilities	(58.257)
(23.802)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(36.528)
(104.157)	Balance at 31 March	(198.942)



Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £m		2018/19 £m
(6.944)	Balance at 1 April	(6.884)
0.060	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.848)
(6.884)	Balance at 31 March	(7.732)

Note 30: Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader to assess the extent to which the Council might have been constrained in its ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 8.

Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in the Remuneration Report. During 2018/19 payment to voluntary organisations/charities to the value of £0.071m were made in which 3 members had an interest. Details of all member interests are recorded in the Register of Members' Interest, available on the Council's website.

Officers

The Chief Executive of North Ayrshire Council also held a position of Director in North Ayrshire Ventures Trust. The Executive Director (Finance & Corporate Support) held a position as Director in HUB SW Largs DBFM Co Limited. The Executive Director of Economy & Communities and Heads of Service (Economy & Communities) held positions as Directors in Ardrossan North Shore LLP and North Ayrshire Ventures Trust. There was no remuneration associated with these positions. Details of the Council's interests in these organisations are outlined in the Group Accounts at note 37.

North Ayrshire Integration Joint Board

The North Ayrshire Integration Joint Board was established on 1 April 2015 as a partnership between North Ayrshire Council and NHS Ayrshire and Arran and is responsible for planning and overseeing the delivery of a full range of community health and social work/social care services, including those for older people, adults, children and families, people in the Criminal Justice System and allied health professions. In the year 2018/19 the following North Ayrshire Council financial transactions were made with North Ayrshire Integration Joint Board relating to the integrated and social care functions:

2017/18 £m		2018/19 £m
89.347	Contribution made to North Ayrshire IJB	95.169
114.099	Commissioning income received from North Ayrshire IJB	117.023
2.562	North Ayrshire IJB balance due (to)/from the Council	(0.668)



The balance due (to)/from the Council reflects the year end variance on health and social care activities. For 2018/19 income exceeded expenditure by £0.668m which has been applied as a partial repayment of the IJB outstanding deficit which now stands at £5.139m.

Other Public Bodies

The Council has substantial interests in other public bodies, details of which are disclosed in the Group Balance Sheet.

In addition, the Council received grants and income from other public bodies in 2018/19 as follows:

- Ayrshire & Arran Health Board (Health Resource Transfer) – grants and income of £22.680m

Other entities controlled or significantly influenced by the Council

Details of all other public bodies in which the Council has a significant interest are explained in the Group Accounts at note 37.

Note 31: Contingent Liabilities

At 31 March 2019, the Council had identified six material contingent liabilities:

1. In March 2012 the Supreme Court judgement in the Employers' Liability Policy Trigger Litigation ruled that Municipal Mutual Insurance (MMI) will be held liable for asbestos related cases up to 30 September 1992 when they ceased writing employee liability business and went into run off. Although the company is still considering the overall liability position, it has now been confirmed that 'clawback' arrangements will be activated in relation to claims paid. The Council has an earmarked balance of £0.584m in the Insurance Fund to accommodate known claims and actual and estimated settlement costs in this respect. However, there is the possibility that further claims may emerge resulting in a future liability.
2. The Council has provided a letter of financial guarantee in relation to the Scottish Maritime Museum Trust future pension fund liability for £0.204m (with the potential for this to rise to £0.541m). The guarantee avoids the Scottish Maritime Museum Trust's pension fund liability becoming due when the two remaining active members of the pension scheme within the Trust leave or retire.

While the Trust continues to trade it will make annual payments to the Pension Fund to reduce this debt over a number of years.

There is no direct additional cost to the Council through this guarantee, although the Council is exposed to a potential risk that could increase its overall pension liability by any pension deficit sum not cleared by the Trust.

3. The Limitation (Childhood Abuse) (Scotland) 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 from 1964 onwards and there is a potential cost to the Council in respect of claims which may arise under the legislation.
4. Following significant progress in the settlement of Equal Pay claims, the Council has been notified of a number of new claims in relation to the validity and implementation of the Job Evaluation Scheme within North Ayrshire Council. Although there is a potential for significant costs associated with the settlement of such claims, it is not currently possible to determine either the probability of any liability being upheld by an Employment Tribunal or the potential costs of a successful claim.
5. Within these financial statements, North Ayrshire Council has recognised a debtor owed by the Scottish Government of £2.4m in respect of income for European Structural Fund (ESF) projects. On 24 May 2019 the Council was notified that all current payments under the ESF programme in Scotland had been suspended by the European Commission due to audit concerns. No further information on the compliance or audit issues has been made available. However, it is estimated that North Ayrshire Council's risk exposure in relation to these claims is low.

The second phase of EU funded programmes runs from 2019 to 2022 and the Council has already committed resources to support these programmes. The potential curtailment of funding would put these programmes at risk.



Note 32: Events after the Balance Sheet Date

The unaudited accounts were approved at a meeting of the Council on 26 June 2019, at which date the Executive Director (Finance and Corporate Support) signed the unaudited accounts. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

North Ayrshire Council has recognised a net liability of £198.9m in respect of its participation in the Local Government (Scotland) Superannuation Scheme. When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. In December 2018 the Court of Appeal ruled that similar transitional protections in other public sector schemes were unlawful on the grounds of age discrimination. Following a Supreme Court ruling on 27 June 2019, the Chief Secretary to the Treasury issued a written statement confirming that there is a clear expectation that restitution will be required across all public sector pension schemes. While it is not clear at this stage the exact nature of this restitution, the net liability included within the financial statements has been updated to include the estimated liability arising from this judgement.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2019 as it provides information which is relevant to an understanding of the Council's financial position but does not relate to conditions at that date.

On 8 May 2019 the Council's Staffing and Recruitment Committee approved a revised executive management structure of the Council. This revised structure will be reflected in the performance monitoring and CIES segments for 2019/20.

Note 33: Cash Flow – Operating Activities

2017/18 £m	Net cash flow from Operating Activities	2018/19 £m
(57.612)	Net cash inflow from revenue activities	(43.148)
(0.215)	Interest received	(0.373)
17.064	Interest paid	20.062
(40.763)	Total	(23.459)

The net deficit on the provision of services has been adjusted for the following movements:

2017/18 £m	Non cash Movements	2018/19 £m
(88.877)	Depreciation and Impairment	(55.252)
(0.467)	Amortisation	(0.427)
(23.802)	Movement in Pension Liability	(36.528)
0.143	(Decrease) / Increase in Inventories	(0.123)
(3.064)	(Decrease) / Increase in Debtors	3.067
(1.317)	Decrease / (Increase) in Bad Debt Provision	(1.554)
(9.684)	Decrease / (Increase) in Creditors	(4.731)
(2.777)	Carrying amount of non current assets sold	(2.398)
0.981	Other non cash items charged to the net surplus or deficit on the provision of services	1.262
(128.864)	Total	(96.684)

2017/18 £m	Investing and Financing activities	2018/19 £m
3.101	Proceeds from sale of non current assets	2.461
38.361	Capital Grants	19.793
41.462	Total	22.254



Note 34: Cash Flow – Investing Activities

2017/18 £m	Net cash flow from Investing Activities	2018/19 £m
104.144	Purchase of property, plant and equipment, investment property and intangible assets	60.996
-	Purchase of Short Term and Long Term Investments	5.028
(3.101)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2.461)
(38.361)	Other receipts from investing activities	(19.793)
62.682	Total	43.770

Note 35: Cash Flow – Financing Activities

2017/18 £m	Net cash flow from Financing Activities	2018/19 £m
(119.377)	Cash receipts of short term and long term borrowing	(73.100)
1.560	Cash payments for the reduction of the outstanding liabilities relating to PPP/NPD contracts	2.263
84.680	Repayments of short and long term borrowing	56.243
(33.137)	Total	(14.594)

Note 36: Cash Flow – Cash and Cash Equivalents

2017/18 £m	Cash and cash equivalents	2018/19 £m
0.019	Cash held by officers	0.008
(5.750)	Bank current accounts	(2.306)
26.000	Short-term deposits	16.850
20.269	Total	14.552

Note 37: Notes to the Group Accounts

The Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (The Code) requires local authorities to consider their interests in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as transport authorities and Valuation Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The financial statements in the Group Accounts of North Ayrshire Council are prepared in accordance with the accounting policies set out in Note 41, with the additions and exceptions shown below.



The Group Accounts consolidate the results of the Council with nine other entities. These organisations are entirely independent of the Council under law and for taxation.

Retirement Benefits

North Ayrshire Leisure Limited (NALL), an associate of the Council, also participates in the Strathclyde Pension Scheme. In the accounts of NALL, however, the cost of retirement benefits is not reversed out after the Surplus/Deficit on provision of services.

Changes in its net pension liability are included within its share of the overall deficit on the Group CIES.

Valuation of Property, Plant and Equipment

The basis of valuation across the combining entities is in accordance with the Code and there are no material inconsistencies with the policies adopted by North Ayrshire Council. The Concessionary Travel Scheme Joint Board has no Property, Plant or Equipment.

Depreciation

The useful lives and categories of assets for the Group are:

Buildings	1-100 years
Infrastructure	up to 40 years
Plant and Equipment	1-30 years
Vehicles	1-25 years

Inventories

The Council, North Ayrshire Leisure Limited and Strathclyde Partnership for Transport use the lower of cost or net realisable value. None of the other bodies in the group hold inventories.

Consideration for Acquisition of Associates' Net Assets or Liabilities

The Council has acquired its share of the net assets of its associates for a nil consideration and no goodwill has been included in the Group Balance Sheet.

Basis of Consolidation

Subsidiaries are consolidated on a line-by-line basis. All other entities are accounted for under the accounting conventions of the "acquisition basis" using the equity method – the Council's share of the net assets or liabilities of each entity is incorporated and adjusted each year by the Council's share of the entities' results and its share of other gains and losses (recognised in the Group CIES).

All entities have the same reporting date as the Council.

Restrictions on transfer of funds

The Council's share of the reserves of its associate and joint ventures is unusable i.e. it cannot be used to fund the Council's services or to reduce taxation. The associate, NALL, is entirely independent of the Council under law and for taxation. The Council is unable to access its reserves, whether classified as usable or otherwise in NALL's own accounts.

Combining Entities

Subsidiaries

A subsidiary is a body controlled by North Ayrshire Council. The Common Good Funds, Trust Funds and North Ayrshire Ventures Trust Ltd have been treated as subsidiaries with assets, liabilities, reserves, income and expenses being consolidated on a line by line basis.

The Group Comprehensive Income and Expenditure Statement on page 35 includes net comprehensive expenditure for the year of £1.643m.



The Group Balance Sheet on page 37 includes net assets of £13.982m in relation to these bodies.

Further details for each entity are as follows:

Common Good Fund	To award community grants across North Ayrshire	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE
Trust Funds	To provide school prizes at designated schools, maintain specified lairs within cemeteries and for the benefit of the poor	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE
North Ayrshire Ventures Trust Ltd	To award community grants across North Ayrshire	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE

	% Share	2018/19				2017/18 (restated)			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m	Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m
Common Good Funds	100%	4.229	-	(0.144)	0.031	4.230	-	(0.158)	(0.065)
Trust Funds	100%	0.522	-	(0.017)	0.120	0.642	-	(0.017)	0.010
North Ayrshire Ventures Trust	100%	10.107	(0.876)	(0.577)	1.430	10.841	(0.088)	(4.821)	(1.176)

Associates

An associate is a body over which North Ayrshire Council has significant influence. North Ayrshire Leisure Ltd, Strathclyde Partnership for Transport, the Strathclyde Concessionary Travel Scheme Joint Board and the Ayrshire Valuation Joint Board have been treated as associates and have been consolidated on an equity basis with a share of the surplus or deficit and net liabilities included within the group statements. This is based on North Ayrshire Council's contribution to the estimated running costs of each body.

The Group Comprehensive Income and Expenditure Statement on page 35 includes net comprehensive expenditure for the year of £0.840m primarily related to Other Comprehensive Income and Expenditure reported by the associates.



The Group Balance Sheet on page 37 includes net assets of £19.963 in relation to these bodies.

Further details for each entity are as follows:

Associate	Nature of Body	Accounts available from
North Ayrshire Leisure Ltd	Provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in North Ayrshire. North Ayrshire Council have an agreement in place whereby they will pay for any redundancy or early retirement costs incurred by NALL. 65.07% of NALL's income is received from the customers who use the Leisure facilities.	North Ayrshire Leisure Limited, 22 Quarry Road, Irvine, KA12 0TH
Strathclyde Partnership for Transport	Regional transport partnership for the West of Scotland	Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF
Strathclyde Concessionary Travel Scheme Joint Board	Oversees the operation of the Concessionary Fares scheme for public transport in the West of Scotland	Strathclyde Concessionary Travel Scheme, Strathclyde Passenger Transport, 131 St Vincent Street, Glasgow, G2 5JF
Ayrshire Valuation Joint Board	Maintains the electoral, council tax and non-domestic rates registers for the three councils of North Ayrshire, East Ayrshire and South Ayrshire	Ayrshire Valuation Joint Board, 9 Wellington Square, Ayr, KA7 1HL

	% Share	2018/19				2017/18			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m	Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m
North Ayrshire Leisure Ltd	34.93%	0.578	(1.633)	(2.887)	0.220	0.588	(0.743)	(3.037)	0.268
Strathclyde Partnership for Transport	6.27%	26.843	(6.066)	(4.173)	(0.770)	24.329	(3.966)	(8.624)	(5.728)
Strathclyde Concessionary Travel Scheme Joint Board	6.64%	0.142	(0.058)	(0.273)	0.019	0.164	(0.060)	(0.278)	0.009
Ayrshire Valuation Joint Board	36.33%	0.416	(0.260)	(0.839)	0.192	0.379	0.113	(0.815)	0.117

Joint Ventures

A joint venture is a body in which two or more parties have contractually agreed to share control. North Ayrshire Council is a partner in two joint ventures, the North Ayrshire Integration Joint Board and Ardrossan North Shore LLP. The joint ventures have been consolidated on an equity basis with a share of the surplus or deficit and net liabilities included within the group statements.

The Group Comprehensive Income and Expenditure Statement on page 35 includes net comprehensive income for the year of £0.472m. In addition, the Group Comprehensive Income and Expenditure Statement includes a 50% share of the reported deficit of the North Ayrshire Integration Joint Board based on the agreed share of control.



The Group Balance Sheet on page 37 includes net liabilities of £1.515m in relation to these bodies.

Further details for each entity are as follows:

Joint Venture	Nature of Body	Accounts available from
North Ayrshire Integration Joint Board	<p>Its purpose is to improve the well being of families, our communities and of people who use health and social care services. The Integration Scheme determines when the Council will have shared responsibility for additional funding with NHS Ayrshire and Arran and is linked to demographic shifts and demand volumes linked to service delivery.</p> <p>There is an agreement that any over or underspends are shared between the controlling entities. The % splits vary depending on which service is involved.</p>	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE
Ardrossan North Shore LLP	A joint venture between Peel Land and Property (Ardrossan) Limited and the Council to develop a piece of land on the North Shore of Ardrossan.	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE

	% Share	2018/19				2017/18			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m	Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m
North Ayrshire Integration Joint Board	50.00%	0.142	(2.573)	(134.578)	(0.473)	-	(2.904)	(129.075)	1.281
Ardrossan North Shore LLP	50.00%	0.928	(0.011)	-	0.010	0.927	(0.011)	-	0.010

The net investments and liabilities included within the Group Balance Sheet for each Associate or Joint Venture are as follows:

	North Ayrshire Leisure Ltd £m	Strathclyde Partnership for Transport £m	Strathclyde Concessionary Travel Scheme Joint £m	Ayrshire Valuation Joint Board £m	North Ayrshire Integration Joint Board £m	Ardrossan North Shore LLP £m	Total £m
Investment in Associates and Joint Ventures	-	20.777	0.084	0.156	-	0.917	21.934
Liability in Associates and Joint Ventures	(1.055)	-	-	-	(2.431)	-	(3.486)

Non-material interests in other entities

The Council does not have any other material interest in any entity not mentioned above.



Note 38: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain estimated figures that are based on assumptions made by the Council about which there is a degree of uncertainty. Estimates are made taking into account historical experience, current trends and other relevant factors.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the pension increase rate assumption would result in an increase in the pension liability of £90.439m. However, the assumptions interact in complex ways.
Collection Levels of Arrears	At 31 March 2019, the Council had a balance of trade debtors of £12.927m. A review of significant balances suggested that an allowance for potential impairment losses of 26% (£3.371m) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amounts of potential impairment losses would require an additional amount of £3.371m to be set aside as an allowance.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any reduction in the current spend on repairs and maintenance may reduce the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £3.295m if useful lives were reduced by one year.

Note 39: Accounting Standards Issued Not Adopted

The Code requires the Council to disclose information about accounting changes that will be required by new accounting standards in the 2019/20 Code due to be adopted in future years and the possible impact.

For the 2018/19 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

Amendments to IAS40 Investment Property: Transfers of Investment Property – The amendment reinforces the principles for transfers into or from investment property and specifies that a transfer should only be made where there has been a change in the use of property. The Council does not currently have any Investment Properties.

Annual Improvements to IFRS Standards 2014 - 2016 Cycle – This makes amendments to three current standards:

- Within IFRS 1 First Time Adoption of International Standards, the short-term exemptions are deleted;
- Within IFRS 10 Disclosure of Interests in Other Entities, the scope of the disclosure requirements is clarified;
- Within IAS 28 Investments in Associates & Joint Ventures clarification is given that associates or joint ventures should be measured at fair value.



IFRIC 22 Foreign Currency Transactions and Advance Consideration – This standard clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Council does not currently have any material transactions within the scope of this standard.

IFRIC 23 Uncertainty over Income Tax Treatments – This standard clarifies the accounting for uncertainties in income taxes. The Council does not currently have any material transactions within the scope of this standard.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation – This amendment will enable local authorities to measure some prepayable financial assets with negative compensation at amortised costs. The Council does not currently have any material transactions within the scope of this standard.

In all cases detailed above, implementation is required from 1 April 2019 or beyond, meaning that there is no impact on the 2018/19 financial statements.

Note 40: Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 41, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has no investment properties. All Property, Plant and Equipment is used in the delivery of services or as part of the Council's strategy for the economic regeneration of North Ayrshire.
- The Council has up to a maximum of 4 trustees out of 9 in total for North Ayrshire Leisure Limited, a charitable organisation that operates the leisure facilities owned by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council. The Trust is, however, incorporated as an Associate within the Group Accounts presented on pages 35-38.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation material contingent liabilities have been disclosed in Note 31.
- The Council has worked closely with relevant partners to ensure that it is as prepared as possible for the impact of EU withdrawal. The Council's EU Withdrawal working group meets regularly and maintains and monitors a detailed risk register tied into national resilience. The Council has assessed the potential impact of withdrawal in terms of People and Skills, Finance and Rules and Regulations and collaborates with partners to ensure that all reasonable preparations are made to mitigate the potential impact of EU withdrawal.



Note 41: Accounting policies

General Principles

The Accounts summarise the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

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

A change in the 2018/19 Code of Practice has resulted in a change in accounting policy for the treatment of internal transactions. The Code no longer permits internal transactions to be included in the Comprehensive income and Expenditure Statement (CIES) as the service segments in the CIES are not intended to cover the reporting requirements for IFRS 8 (segmental reporting) and as a result, transactions between segments are not permitted in the service analysis section of the Statement. Previously the Council has included transactions between Services within the CIES. As a result of this change, the 2017/18 comparative figures within the CIES and Expenditure and Funding Analysis have been restated. This has resulted in a reduction of £19.650m in both the gross expenditure and gross income reported in the CIES. The overall net impact is Nil.

A 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 from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Suppliers' invoices paid in the two weeks following the year-end have been included together with specific accruals in respect of further material items provided the goods and services were received prior to 31 March.
- 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. The de minimis level for recognition of such transactions has been agreed at £5,000, therefore all known transactions of £5,000 or above have been included.
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

B Allocation of Central Support Costs and Recharges to Capital

A proportion of net central support services is allocated to services outwith the general fund. The balance of the net central support services is reported on the basis of how the services are structured and how the Council operates, monitors and manages financial performance.

C Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme was due to end on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability is discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

D 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 that are readily convertible to known amounts of cash with insignificant risk of change in value.



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

E Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. When a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior years are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

F Charges to Revenue for Non-Current Assets

Services are charged with the following amounts 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 by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairments losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances. This is known as the Loans Fund principal repayments. Depreciation, revaluation and impairment losses and amortisation are replaced by Loans Fund principal repayments in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

G Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, wages, overtime and paid annual leave for current employees and are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned up to 31 March are included in the financial statements irrespective of when the payment was made. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the benefits will be taken. Such accruals are required, under statute, to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant services line in the CIES at the point when the offer of termination can no longer be withdrawn by the Council. Where termination benefits include the enhancement of pensions, the General Fund balance is charged with the amount payable by the Council to the pension fund or pensioner in the year.

Post-Employment Benefits

The Council participates in two separate pension schemes:

- The Scottish Teachers' Pension Scheme administered by the Scottish Government
- The Local Government (Scotland) Pension Scheme administered by the Strathclyde Pension Fund.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned while employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education and Youth Employment services line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme.

The liabilities of Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected credit unit method',



i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate as advised by the actuaries, Hymans Robertson.

The assets of Strathclyde Pension Fund attributable to North Ayrshire Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

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

Service Costs:

- current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the CIES to the services for which the employees worked.
- past service cost (including curtailments) – the increase in liabilities as a result of changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by employees in previous years. These costs are charged to the Surplus or Deficit on the Provision of Services in the CIES.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the CIES, calculated by applying the discount rate used to measurement the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements:

- return on plan assets – excludes amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement or pension enhancement termination 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards to retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

H Events After the Reporting Period

These are events, both favourable and unfavourable, that occur between the end of the reporting period (31 March) and the date when the financial statements are authorised for issue.

The Statement of Accounts are adjusted to reflect events where they provide evidence of conditions that existed at the end of the reporting period.

Where events indicate conditions, which arose after the reporting period, would have had a material effect, the Statement of Accounts are not adjusted but a disclosure is made in the notes of the nature of the event and the estimated financial effect.

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

I Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial liability. Liabilities are initially measured at fair value and then carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life



of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the CIES, regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified and measured based on the reasons, or business model, for holding the financial assets and the characteristics of the anticipated cash flows. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold assets to collect contractual cash flows and our financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured at fair value and then carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a loan to a charitable body at less than market rates (soft loan). When a soft loan is made, a loss is recorded in the CIES (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. The value of the interest foregone is then added back to the amortised cost of the loan on the Balance Sheet and credited to the Financing and

Investment Income and Expenditure line in the CIES on an annual basis until the loan is repaid.

Any gains or losses which arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model.

Impairment losses are calculated to reflect the expectation that the future cash flows may not take place because the borrower may default on their obligations. Credit risk plays a crucial part in assessing the potential losses. Where risk has increased significantly since an asset was 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.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

For any identified impairment losses, a charge is made to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at FVPL

Financial Assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services as they emerge.

Fair value measurements of the financial assets are based on the following techniques:

- instrument with quoted market process – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

Any gains and losses which arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council does not currently have any Financial Assets measured at Fair value through Profit and Loss.

J Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.



Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant have been satisfied.

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

Capital grants are then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account.

Capital grants which are used and amounts previously posted to the Capital Grants Unapplied Account which have now been applied, are transferred to the Capital Adjustment Account.

K Heritage Assets

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

The Council holds heritage assets consisting of civic regalia and silverware, historical artefacts, fine art and public artworks. The assets are held at valuation and no depreciation is charged on the assets. Expenditure to maintain the assets is written off to the Comprehensive Income and Expenditure Statement (CIES) in the year of expenditure. Donated heritage assets are reflected in the balance sheet at valuation with a gain equivalent to the value of the asset reported in the CIES in the year of donation.

Measurement

The Council's heritage assets are recognised on the Balance Sheet at values determined by specialist external valuers and by experienced officers within the Connected Communities service. Valuations have been largely undertaken on an insurance basis at retail level. Only items deemed to have a value of £10,000 and above have been disclosed in the Balance Sheet.

Disclosure

Not all of the Council's identified heritage assets will be disclosed in the Balance Sheet. It is not deemed practicable to obtain external valuations for all items defined as heritage assets. These include: Museum and Gallery items with a value of less than £10,000; Castles; Monuments and War Memorials.

L Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. loan licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not

revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (generally between 1 and 6 years) to the relevant service line(s) in the CIES.

M Interest in Companies and Other Entities

The Council has interests in companies and other entities which have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's single entity accounts, these interests are recorded as financial assets at cost, less any provision for losses.

N Inventories

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

O Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but reviewed annually and revalued regularly to ensure their carrying value reflects market conditions at the year-end.

P 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

North Ayrshire Council currently has no finance leases where the Council is the lessee.

Rentals paid under operating leases, for vehicles and plant, are charged to the appropriate service account in the CIES as an expense of the services benefiting for use of the leased equipment.

The Council as Lessor

North Ayrshire Council has no finance leases where the Council is the lessor.

The Council rents out property on cancellable operating leases only. Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.



Q Property, Plant and Equipment

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

All valuations of land and buildings are carried out by RICS qualified valuers, with the exception of valuations of council dwellings which are based on beacon values calculated by the District Valuer. Both valuations are in accordance with the methodologies and bases of estimation as set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis level of £10,000 for expenditure to be classed as capital. Land and Buildings with a valuation below £10,000 are not recognised on the Council Balance Sheet.

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.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

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

- Council Dwellings - Fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Other Land and Buildings - Fair value, determined by the amount that would be paid for the asset in its existing use (existing use value - EUV).
- Vehicles, Plant and Equipment - depreciated historical cost
- Infrastructure Assets - depreciated historical cost
- Community Assets - depreciated historical cost
- Surplus Assets - fair value based on market value in highest and best use
- Assets Under Construction - historical cost
- Investment Properties (Common Good only) - fair value based on market value in highest and best use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued on a rolling 5-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairment

Assets are assessed at each year-end to establish whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in 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

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Investment Properties and Assets Held for Sale are not subject to depreciation.



Deprecation is charged on a straight-line basis over the useful life of the assets (as advised by a suitably qualified officer). Depreciation is charged in the year of acquisition but not in the year of sale.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For the purposes of component accounting the Council considers significant components being those with a cost that is at least 20% of the overall cost of the asset. Individual assets shall be disregarded for component accounting where their carrying value is below £2m.

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

Disposals

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 posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses. 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 sale in its present condition;
- the sale is highly probable;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

To comply with statutory guidance, this gain or loss is excluded when determining the General Fund balance within the Movement in Reserves Statement.

R Public Private Partnership (PPP) / NPD and similar contracts

PPP / NPD and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PPP / NPD contractor. As the Council is deemed to control the services that are provided under its PPP / NPD schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For North Ayrshire Council Schools PPP contract, the liability was written down by an initial capital contribution of £1.743 million.

The amounts payable to the PPP/ NPD operators each year are analysed into four elements:

- service charges and lifecycle replacement costs – value of services including cleaning and janitorial services, repairs and maintenance, energy, non domestic rates and insurances debited to the relevant service in the CIES;
- interest payments – the interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- liability repayment– repayment of the principal owed to the PPP operator, applied to write down the Balance Sheet liability.

S Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and measured at the best estimate, at the balance sheet date, of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.



When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

T Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council; these reserves are explained in the relevant notes.

U Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged

as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

V VAT

All income and expenditure excludes amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and net VAT paid is fully recoverable by the Council.

W Fair Value Measurement

The Council values some of its non-financial assets, such as Surplus Assets and Investment Properties (Common Good Funds only), and some of its financial instruments at Fair Value. Fair Value is the price that would be received either on the sale of an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset; or
- in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the Fair Value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the Fair Value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which Fair Value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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



Glossary of Terms

Although the majority of the terminology used throughout the accounts is self-explanatory or defined within the relevant sections, the following additional definitions and interpretations are provided to assist readers' understanding.

Actuarial Gains or Losses

Actuarial Gains or Losses represent the movements in pension scheme liabilities which have arisen because actual events have not coincided with the actuarial assumptions made at the last valuation. These result in unforeseen movements in the net pension liability recognised by the Council.

Amortisation

Amortisation is the cost of reducing the value of an intangible asset over its useful economic life. A charge is made against services for the value of the assets they have used during the year.

Assets

An asset is any item which has value including cash, investments, properties, vehicles, etc. Assets are classified as short term, which will be consumed within the current year, or long term, which will be used to provide services over more than one year.

Capital Expenditure

Capital expenditure is expenditure on assets of lasting value whose useful life exceeds the current year. This includes schools, roads, community facilities, council housing, etc. and is financed from grants, receipts from the sale of assets, revenue contributions and borrowing.

Community Assets

Long term assets which have no determinable useful economic life and are held in perpetuity by the Council, including parks and open spaces.

Contingent Assets / Liabilities

Contingent Assets or Liabilities are where an asset or liability is either uncertain and will only arise if an event outwith the Council's control occurs or where the amount of the potential asset or liability cannot be reliably measured, e.g. the potential outcome of future court proceedings or insurance claims.

Creditors

Creditors are a kind of liability. They represent payments owed by the Council to another person or organisation for past events.

Debt Instruments

Debt instruments represent the value of investments in certificates of debt issued by companies or governments including bonds, debentures, certificates and mortgages.

Debtors

Debtors are a kind of asset. They represent payments owed to the Council by another person or organisation for past events.

Defined Benefit Pension Scheme

A Defined Benefit Pension Scheme is a scheme where the benefits due to participants are predetermined based on earnings, length of service and age and are not directly dependant on the contributions paid or investment returns realised.

Depreciation

Depreciation is the measure of the cost of wearing out, consuming or reducing the useful life of the Council's assets. A charge is made against services for the value of the assets they have used during the year.

Equity Investments

Equity investments represent the value of stocks and shares held in companies.



Fair Value

The fair value of an asset or liability is the price at which it could be exchanged or settled in an arm's length transaction between two willing, knowledgeable parties.

Financial Instrument

A financial instrument is any contract which gives rise to a financial asset or liability or an equity instrument in another entity, this includes cash, debtors, creditors, loans, borrowings and shares in other companies.

General Fund

The General Fund is the principle usable reserve of the Council. The activities financed from this include all revenue and capital income and expenditure not related to the Housing Revenue Account (HRA).

Group Accounts

The Council's Group includes its interest in any subsidiaries, associates or joint ventures.

Housing Revenue Account (HRA)

The Housing Revenue Account includes all revenue and capital income and expenditure related to the provision of social housing services.

Infrastructure Assets

Long term assets which cannot be transferred or sold, including roads, bridges and footpaths.

Inventories

Inventories are raw materials or goods which have been purchased but which have not yet been consumed in the delivery of Council services.

Liabilities

A liability represents a payment owed to another person or organisation including loans, outstanding invoices, provisions, contributions owed to third parties, etc. Short term liabilities are due to be paid within the current year. Long term liabilities are amounts which will not be paid until a later year.

Pension Scheme Liabilities

The Pension Scheme Liabilities are the benefits to be paid to members after the valuation date of the scheme. The cost of the liabilities is recognised as a long term liability of the Council, net of its share of any pension scheme assets.

Provisions

A provision is a kind of liability. Where a payment for a liability is certain or very likely to occur but the exact amount and timing is not known, an amount must be put aside to meet the estimated future costs.

Reserves

Reserves are the accumulated surpluses or deficits generated from the General Fund or Housing Revenue Account activities of the Council. Reserves are classified as either Usable, i.e. available to fund Council services, or Unusable, which hold unrealised gains or losses which will only become available to use in the provision of services once assets have been sold.

Revaluation / Impairment

Revaluations and impairments are adjustments to the value of an asset, either positively or negatively, to align the carrying value of an asset to an independent assessment of the asset's fair value.

Revenue Expenditure

Revenue expenditure includes the day to day costs of providing services including salaries and wages, property costs, transport costs and supplies and services. It also includes the costs of the repayment of loans used to finance capital expenditure.

