



# Annual Accounts

## 2019-20



North Ayrshire Council  
Comhairle Siorrhachd Àir a Tuath



# Contents

	Page		Page
<b>Narrative &amp; Assurance Statements</b>			
Management Commentary	1	12. Property, Plant and Equipment	58
Statement of Responsibilities	19	13. Fair Values	60
Remuneration Report	20	14. Assets Held for Sale	60
Annual Governance Statement	29	15. Heritage Assets	60
Independent Auditor's Report	35	16. Intangible Assets	61
		17. Capital Expenditure and Capital Financing	62
		18. Long Term Debtors	64
		19. Private Finance Initiatives, Non Profit Distributing Models and similar contracts	64
		20. Financial Instruments	65
		21. Risks arising from Financial Instruments	68
		22. Debtors for Local Taxation	71
		23. Inventories	72
		24. Short Term Debtors	72
		25. Short Term Borrowing	72
		26. Short Term Creditors	72
		27. Provisions	73
		28. Pension Schemes accounted for as Defined Contribution Schemes	74
		29. Defined Benefit Pension Schemes	74
		30. Unusable Reserves	78
		31. Related Parties	80
		32. Contingent Liabilities	82
		33. Events after the Balance Sheet Date	82
<b>Core Financial Statements</b>			
Comprehensive Income and Expenditure Statement (CIES)	38		
Movement in Reserves Statement	39		
Balance Sheet	40		
Cash Flow Statement	41		
<b>Supplementary Statements</b>			
Housing Revenue Account (HRA)	42		
Common Good and Trusts	44		
Non Domestic Rates Account	46		
Council Tax Account	47		
<b>Notes to the Accounts:</b>			
<b>Notes to the CIES</b>			
1. Expenditure and Funding Analysis	49		
2. Expenditure and Income Analysed by Nature	51	34. Cash Flow – Operating Activities	83
3. Other Operating Expenditure and Income	52	35. Cash Flow – Investing Activities	84
4. Financing and Investment Income and Expenditure	52	36. Cash Flow – Financing Activities	84
5. Material Items	52	37. Cash Flow – Cash and Cash Equivalents	84
6. Agency Services	52		
7. External Audit Costs	52	38. <b>Notes to the Group Accounts</b>	84
8. Grant Income	53		
9. Leases	54		
<b>Notes to the MiRS</b>			
10. Adjustments between Accounting basis and Funding basis under Regulations	55		
11. Transfer to / (from) Funds	57	39. Accounting Policies and Assumptions Assumptions made about the Future and other major sources of Estimation Uncertainty	89
		40. Accounting Standards issued, not yet Adopted	90
		41. Critical Judgements in applying Accounting Policies	90
		42. Accounting Policies	91
		<b>Glossary of Terms</b>	99





# Management Commentary

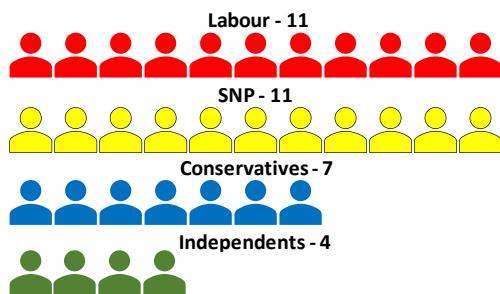
The Management Commentary sets out the key messages on the Council's financial and service performance for 2019/20 and looks ahead to the challenges and risks which we will face as we endeavour to meet the needs of the people of North Ayrshire.

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.

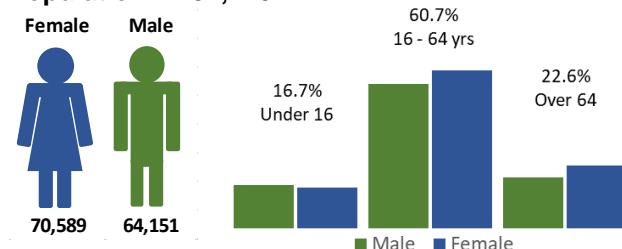
The format and content of the Annual Accounts accord with the Code of Practice on Local Authority Accounting in the United Kingdom.

## North Ayrshire by Numbers

### Elected Members - 33



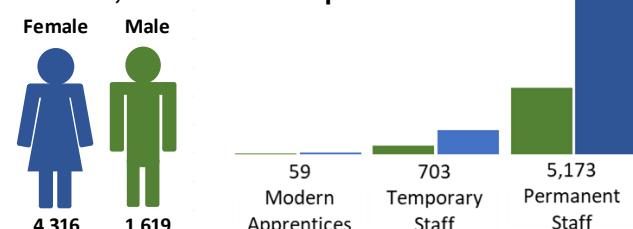
### Population – 134,740



### Life Expectancy



### Staff - 5,935 Full Time Equivalents



### Economic Activity



28% of SIMD Datazones in North Ayrshire are amongst the 15% most deprived in Scotland

# Vision and Mission

## Our Priorities

### Aspiring Communities

- ▶ Active and strong communities
- ▶ Children and young people experience the best start in life
- ▶ Inclusive, growing and enterprising local economy
- ▶ Residents and communities enjoy good life-long health and well-being
- ▶ Residents and communities are safe

### Inspiring Place

- ▶ Well connected with effective infrastructure
- ▶ Homes that meet residents' needs
- ▶ Vibrant, welcoming and attractive environment
- ▶ A sustainable environment

### A Council for the Future

- ▶ An accessible Council that puts residents and communities at the heart of what we do
- ▶ An efficient Council that maximises resources and provides value for money
- ▶ A valued workforce that delivers high quality services
- ▶ A powerful and respected voice

## Our Vision

A North Ayrshire that is 'Fair For All'

## Our Mission

Working together to improve well-being, prosperity and equality in North Ayrshire



# 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.

The Council's **Performance Management Framework** has clear links from individual employee performance through to the **National Performance Management Framework** to which all public services in Scotland are aligned, encouraging more effective partnership working.



**Self-Evaluation & Benchmarking** is undertaken across the Council. This helps to identify areas for improvement and allows us to compare our performance with others to identify where we can do better.

**External Audits & Inspections** are undertaken periodically to ensure good performance, value for money and highlight areas for improvement.

**Reporting & Governance:** Performance is reported quarterly to Service Management Teams and Executive Leadership Team. Six monthly Council Plan Performance progress reports are prepared for the Executive Leadership Team, Cabinet and Audit & Scrutiny Committee. These reports are published on our website and hard copies made available in our key customer service locations as part of our public performance reporting duty.

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

**Community Engagement & Customer Feedback:** The Council regularly engages with Communities on a range of issues. Services gather customer feedback via mechanisms such as Tenant Participation Groups, People's Panel Survey, Consul (online tool), Staff Survey (Our Voice), etc.

**Financial Planning and Management:** Our financial planning framework ensures alignment of resources to key priorities. This is tracked through regular financial reporting to all key stakeholders with appropriate action where variances occur.

**Our Time to Talk (Previously PPD)** allows managers and employees to discuss individual performance and understand how their work contributes to the delivery of Operational Plans and our Council Plan.

**Operational Plans** are developed annually and set out actions and measures that will support the delivery of key Service areas which are aligned to Council Plan priorities.

Our **Council Plan Delivery Plan and Framework** allow us to monitor and report progress against specific Council Plan priorities.



The **CPP Local Outcomes Improvement Plan (LOIP)** is the key strategic document of the North Ayrshire Community Planning Partnership (CPP). The CPP also has Locality Plans for each of our six Locality Planning areas. CPP performance is reported on a quarterly basis to the CPP Chief Officers Group and CPP Board.



The Health and Social Care Partnership (HSCP) is responsible for a range of community health and social care services. The HSCP has a Strategic Plan setting out its priorities to ensure that our people have a safe, healthy and active life. HSCP Performance is reported quarterly to the Integration Joint Board Performance and Audit Committee and minutes of these meetings are presented to the Integration Joint Board and North Ayrshire Council. the HSCP also publish Mid-Year and Annual Performance Reports.



The **National Performance Framework** sets out the Scottish Government's aim to create a more successful country, give opportunities to all people living in Scotland, increase the wellbeing of people living in Scotland, create sustainable and inclusive growth and reduce inequalities and give equal importance to economic, environmental and social progress. Priorities and outcomes in the North Ayrshire Council Plan and Community Planning Partnership LOIP align to the National Performance Framework Outcomes.



## Council Plan Performance Progress Reports

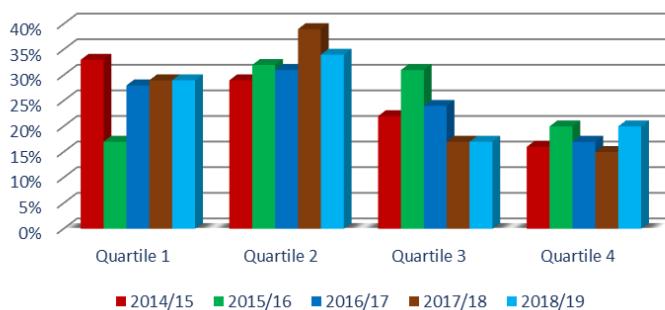
The Council's Executive Leadership Team and Elected Members receive six monthly reports which detail progress against our Council Plan Actions and Performance Measures. Details of the latest Council Plan Progress Updates for 2019-20 are available on the Council's website.

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

The Council Plan Framework and Delivery Plan measure our progress against 34 performance indicators and 116 actions. The 2019-20 Progress Update shows that 81% are currently on target, with 20 indicators or actions slightly adrift of target and only 7 actions which are significantly adrift. This compares favourably with previous annual performance reports and continues our improving long term trend.

## Local Government Benchmarking Framework

### Local Government Benchmarking Framework



Comprehensive scrutiny of performance is undertaken using the Local Government Benchmarking Framework (LGBF). This National Framework brings together performance information from each of Scotland's 32 Councils and provides benchmarking data on a variety of indicators covering a wide range of key service areas.

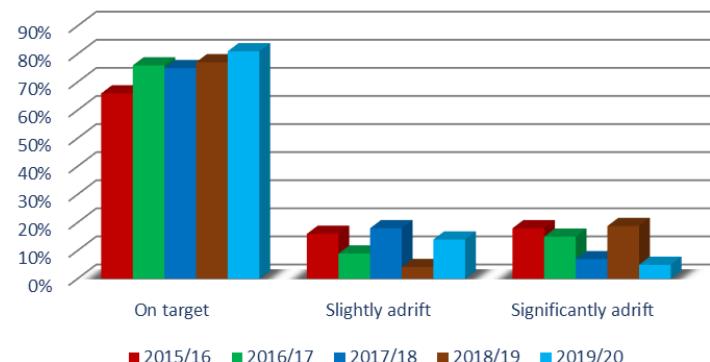
79 of these indicators can be directly compared against 2017/18 performance – 32 (41%) indicators have improved and 24 (30%) have declined with a further 21 marginally declining (26%). 2 (3%) remain unchanged.

The Council had previously identified 24 LGBF indicators as being a priority. When compared against 2017/18 performance 11 (46%) indicators have improved and 13 (54%) have declined relative to other local authorities. Looking at the long-term performance, 12 (50%) indicators have improved and 12 (50%) have declined.

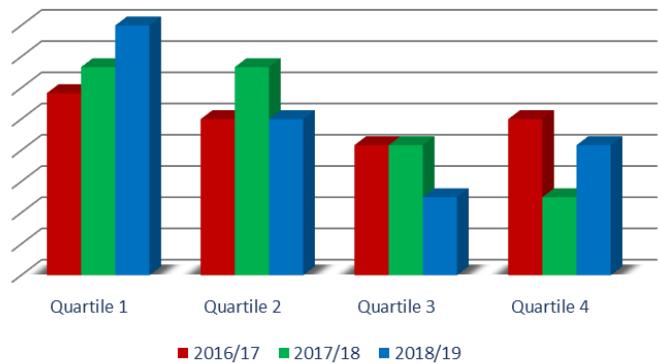
Further information on how we compare can be viewed at the mylocalcouncil portal:

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

### Performance Indicators



### LGBF Priority Indicators



# Highlights during 2019/20

Following extensive consultation with North Ayrshire stakeholders, including an Ask the Leader session which enabled the public to put questions directly to the Council Leader, the Council approved the Council Plan 2019-2024. The Plan sets out our vision and strategic priorities for North Ayrshire and its people.

We held the first Joint Community Planning Partnership (CPP) Locality Partnership and Health and Social Care Partnership (HSCP) Locality Planning Forum on Arran in September. This pilot, the first of its kind in Scotland, will further develop our fast-paced approach to designing and delivering local services.

Following the publication of the Centre for Local Economic Strategies' study of the North Ayrshire economy, we launched our Community Wealth Building Commission. This radical and bold approach will help us create a more resilient local economy, with more diverse businesses, to create more well paid jobs for local people.

Our holiday meals programme has been relaunched as Wrap, Run and Fun. This has removed the stigma of free meals and introduced the initiative as a community activity club resulting in the provision of an additional 721 meals compared to 2018.

The Council has agreed an investment of £25m in a project to provide 122 new Council houses in Largs. We have also seen significant increases in new Council house building and are on target to rehouse all tenants from the Irvine high flats by autumn 2020.

We continue to move towards being a Zero Waste Council with the implementation of an enhanced waste and recycling service. Household waste recycling figures over the April to September period show an increase to 61.2%.

Our exciting new facilities at The Circuit in Irvine provide state of the art sport and leisure facilities, as well as incubation space to support Social Enterprises and ambitious, new local businesses.



....and many more!

# Planning Framework

## Financial Planning

Robust financial planning and management ensures resources are targeted to our key priorities. 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 38 with information on Housing services provided in the Housing Revenue Account (HRA) (pages 42 to 43).

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.



## 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, succession planning and training and development.



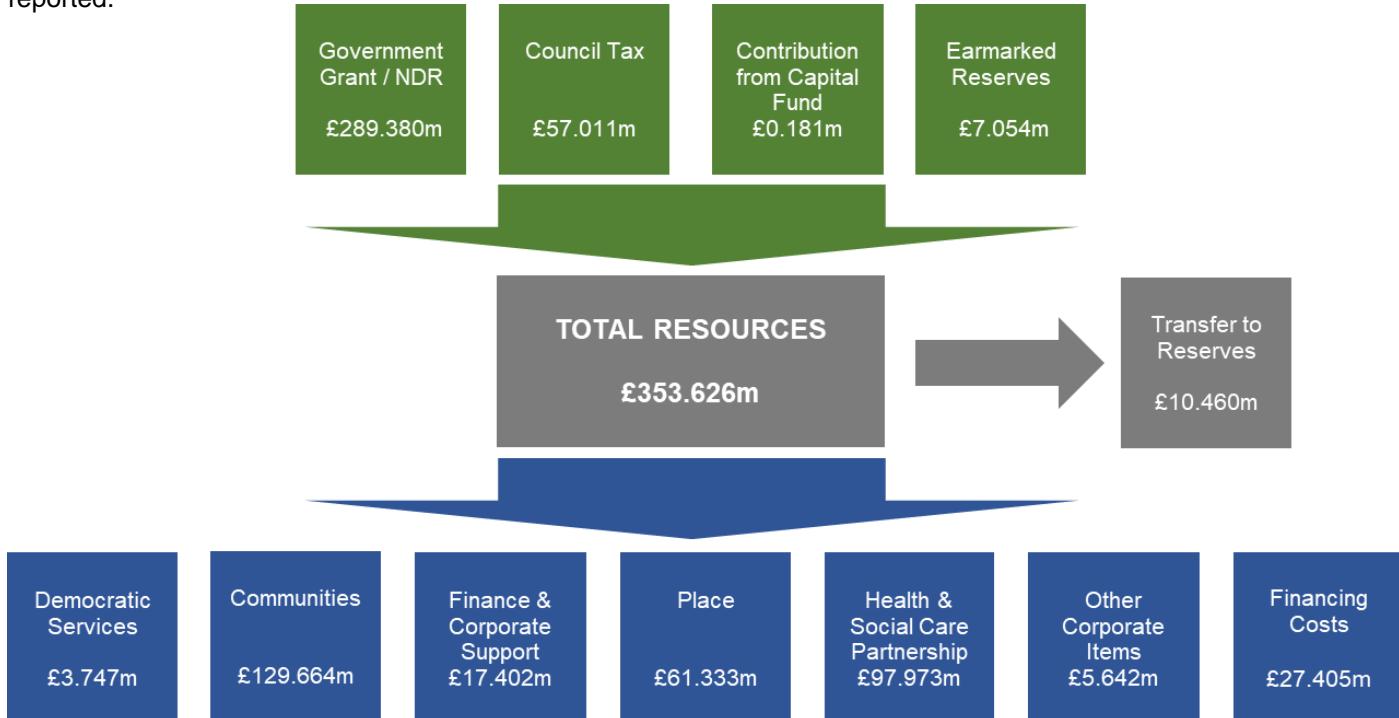
# Financial Performance

Financial information is part of the Council's Performance Management Framework with General Fund and Housing Revenue Account (HRA) financial performance regularly reported to Cabinet. The financial performance of the Health and Social Care Partnership is regularly reported to the Audit and Scrutiny Committee, reflecting the historic challenges and financial risks presented by the delivery of these services.

This section summarises our financial performance for 2019/20.

## (a) General Fund Revenue Expenditure 2019/20

For 2019/20 the final spend on General Fund Services was £343.166m against a budget of £353.422m. The flow of actual income and expenditure during 2019/20 is highlighted below, as detailed in Note 1 on page 49. After earmarking £10.460m to meet future year expenditure requirements, a final in-year underspend of £2.594m is reported.



Overall, services underspent by 0.4% of the available budget, this varied from an overspend of 0.1% (£0.104m) within Communities to an underspend of 3.4% (£0.136m) within Democratic Services.

The major variances during 2019/20 relate to Early Learning and Childcare funding received in advance of service provision (£1.2m), the release of funds set aside for Pensions Auto-Enrolment which are no longer required (£1.2m), higher than budgeted income across a range of services (£2.1m), lower than anticipated service transformation costs (£0.6m) and other minor funding elements received in advance of expenditure (£0.9m). These have been partly offset by additional costs following the introduction of the new domestic waste recycling scheme, £0.7m.

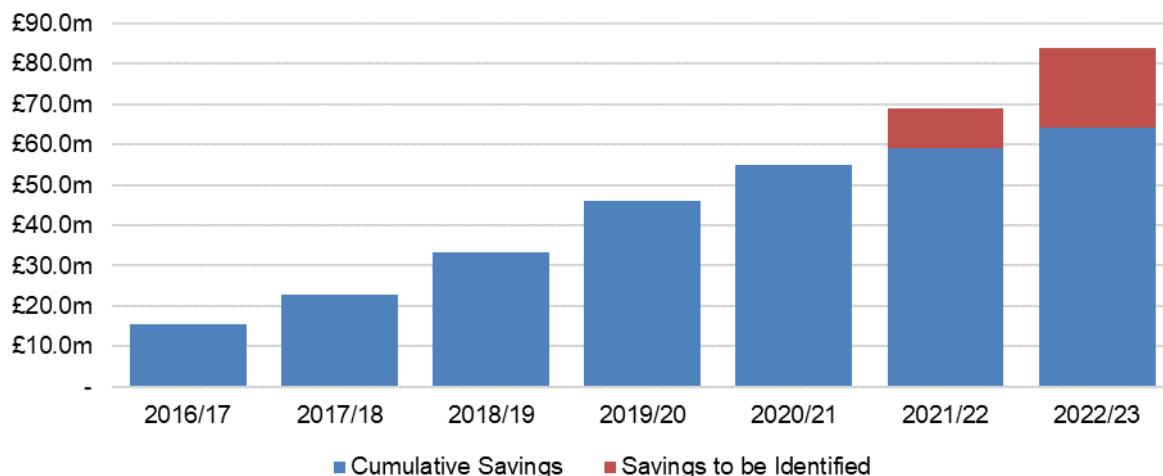
In addition to the planned contribution to the Loans Fund reserve (£3.2m), transfers to reserves include additional grant income received in advance of expenditure (£1.8m), previously agreed expenditure commitments (£1.4m), a contribution to the Change and Service Redesign Fund (£1.0m), an allocation to the Insurance Fund (£0.5m) and an increase in General Services Unearmarked Balances (£2.6m), available to help mitigate the impact of future Covid-19 costs and support recovery and renewal activities.

The Council's contribution to the Health and Social Care Partnership (HSCP) includes an additional £1.5m which has been drawn down to partly offset an in year overspend of £1.6m. The HSCP's cumulative deficit now stands at £5.3m. Repayment of the balance of this deficit is anticipated over the period 2020/21 to 2024/25.

During 2019/20 in year council tax collection was 94.0% (94.3% in 2018/19).

Between 2016/17 and 2019/20 North Ayrshire Council has delivered cumulative savings of £46.0m. Over the next 3 years it is projected that this will need to increase to £83.8m with £19.6m of this still to be identified.

### Cumulative General Fund Savings

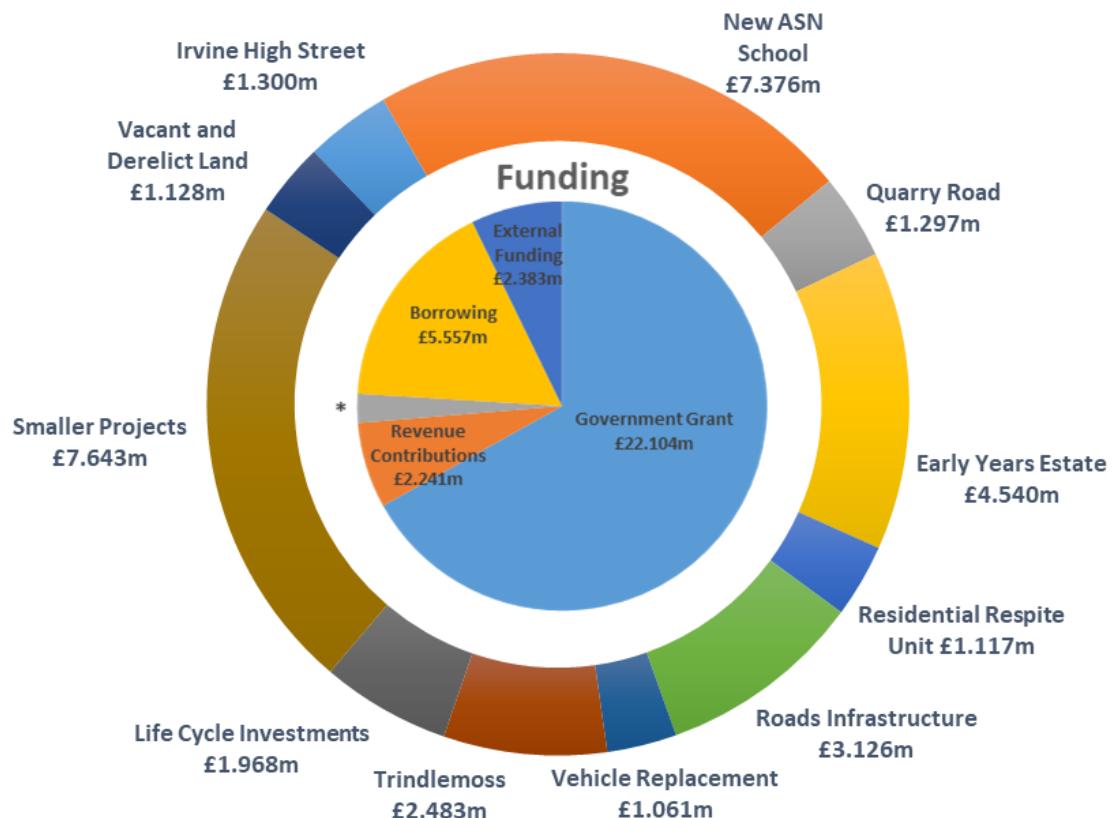


### (b) General Fund Capital Expenditure 2019/20

In 2019/20 the final spend for capital investment was £33.039m against a budget of £33.050m. Further details, including comparative figures for 2018/19 are provided in Note 17 on page 62. The exhibit below identifies the key projects and summarises how the programme was funded:

#### General Fund Capital 2019/20 - £33.039m

#### Expenditure



\* Additional funding of £0.754m was provided from Capital Receipts

## (c) General Fund Reserves

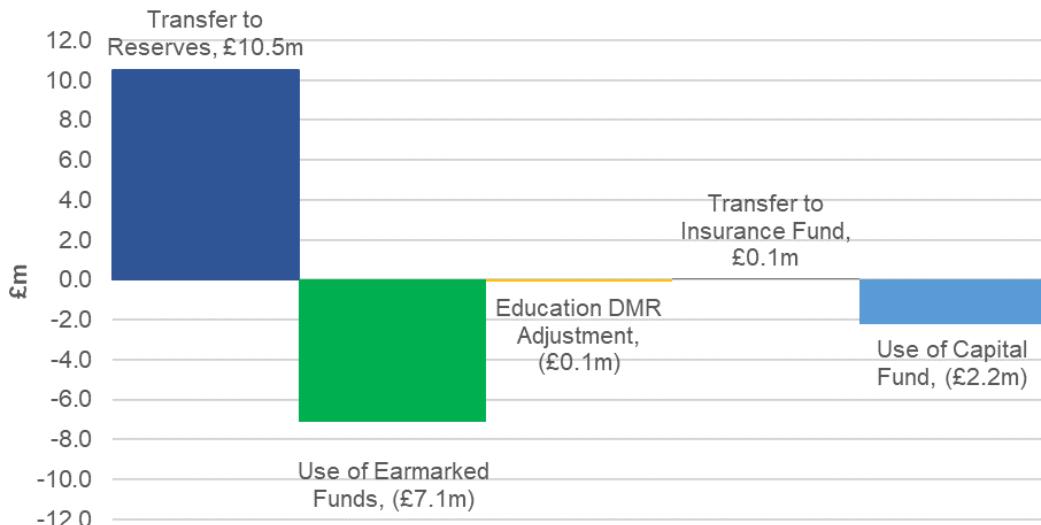
Reserves are an important component of our Financial Framework, supporting financial stability and providing flexibility to deliver change and transformation.

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.

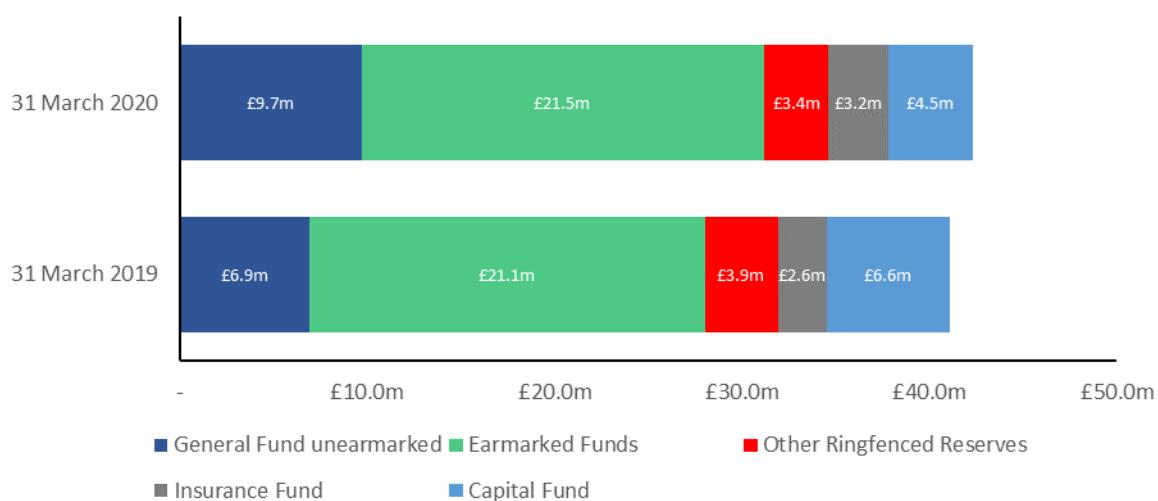
When the Council set its budget for 2019/20 it approved a minimal level of unearmarked reserves of 2%. This was confirmed on 5 March 2020 with an approved value of £7.159m. The net in-year underspend will be added to the General Fund Unearmarked Balance. This will result in an unearmarked balance of £9.659m, or 2.7% of budgeted expenditure, which is available to help mitigate the impact of future Covid-19 costs and support recovery and renewal activities.

Full details of the Council's General Fund Reserves are shown in Note 11 on page 57, along with information on future commitments.

The diagram below summarises the movements on the General Fund Reserves for 2019/20:



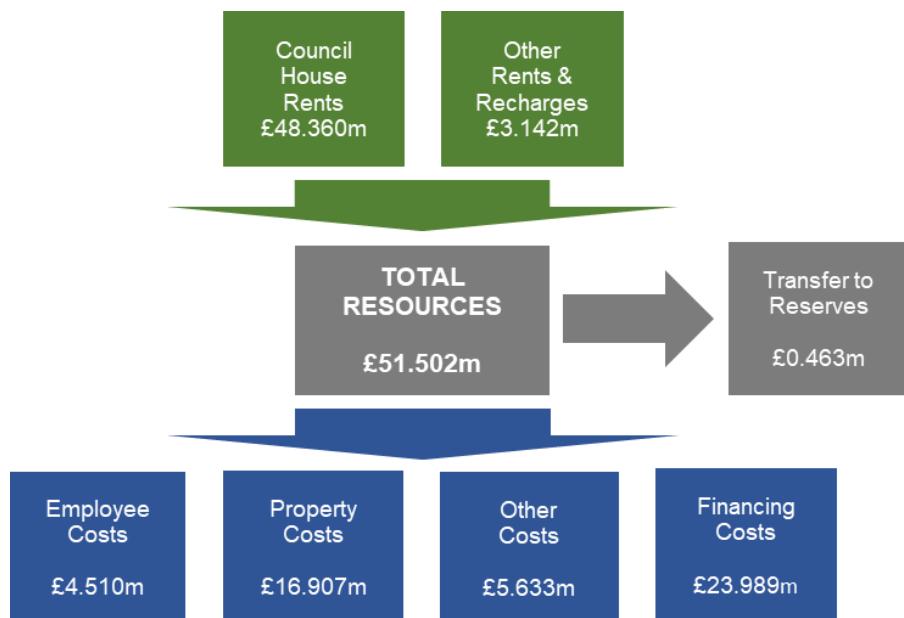
The available balances on the General Fund Reserves are as follows:



## (d) Housing Revenue Account 2019/20

For 2019/20 the final expenditure on the Housing Revenue Account services was £51.039m against a budget of £51.268m. An analysis of actual funding and expenditure is provided below. Full details are provided in the Housing Revenue Account Income and Expenditure statement on page 42.

The Housing Revenue Account performance for 2019/20 delivered an underspend of £0.463m against a budgeted break-even position. The reported underspend has been added to the HRA reserves to support future Housing expenditure including the Council House building programme.

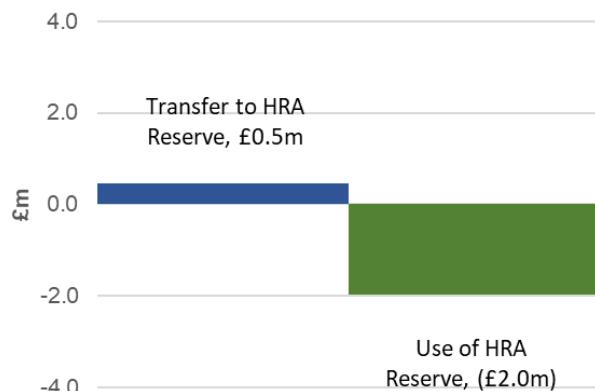


The main factors contributing to this position were lower than anticipated expenditure on planned cyclical maintenance costs (£1.1m), reduced expenditure on Aids and Adaptations (£0.4m) and increased rental income due to a higher number of tenanted properties (£0.3m), partly offset by additional revenue contributions to the capital expenditure programme, £1.0m and increased bad debt provision, £0.3m.

The transfer to reserves includes contributions to the Council House building programme (£0.3m), additional funding for Sheltered Housing Unit refurbishments (£0.1m) and Aids and Adaptations (£0.1m).

The application of £2.0m of HRA balances for capital projects, partly offset by the contribution to reserves (£0.5m) noted above, has resulted in an accumulated HRA reserve at 31 March 2020 of £10.9m.

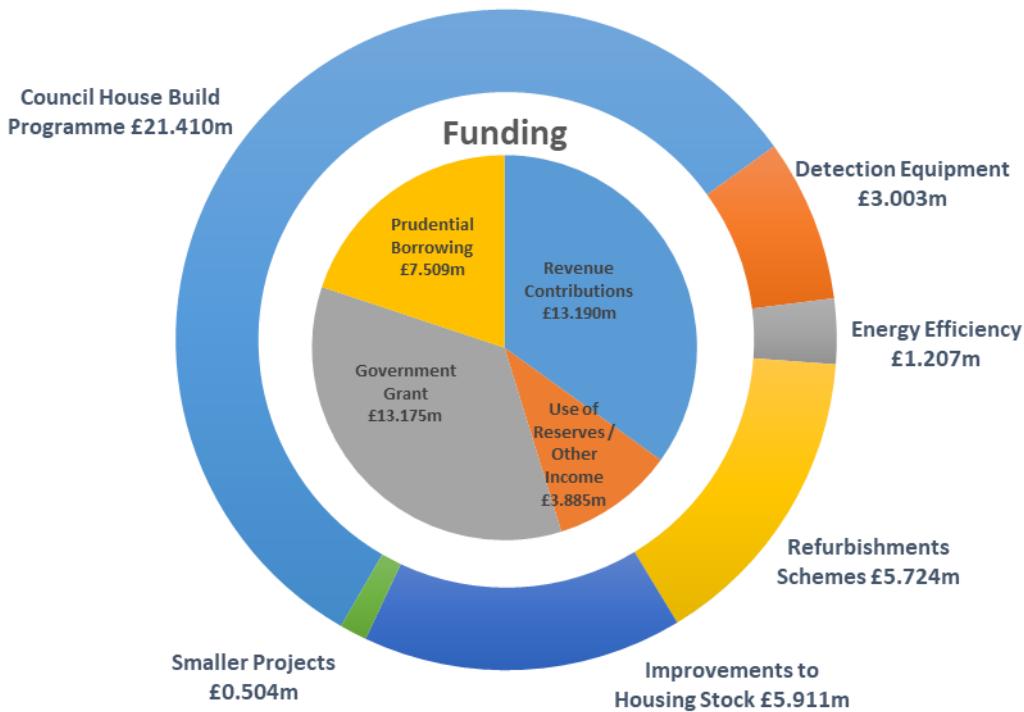
The diagram below summarises the movements on the HRA Reserves for 2019/20:



## (e) HRA Capital Expenditure 2019/20

In 2019/20 the final HRA expenditure on capital investment was £37.759m against a budget of £37.773m. The chart below identifies the key projects and how the programme was funded. Further details, including comparative figures for 2018/19, are provided in Note 17 on Page 62

### Housing Capital 2019/20 - £37.759m Expenditure



## (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.

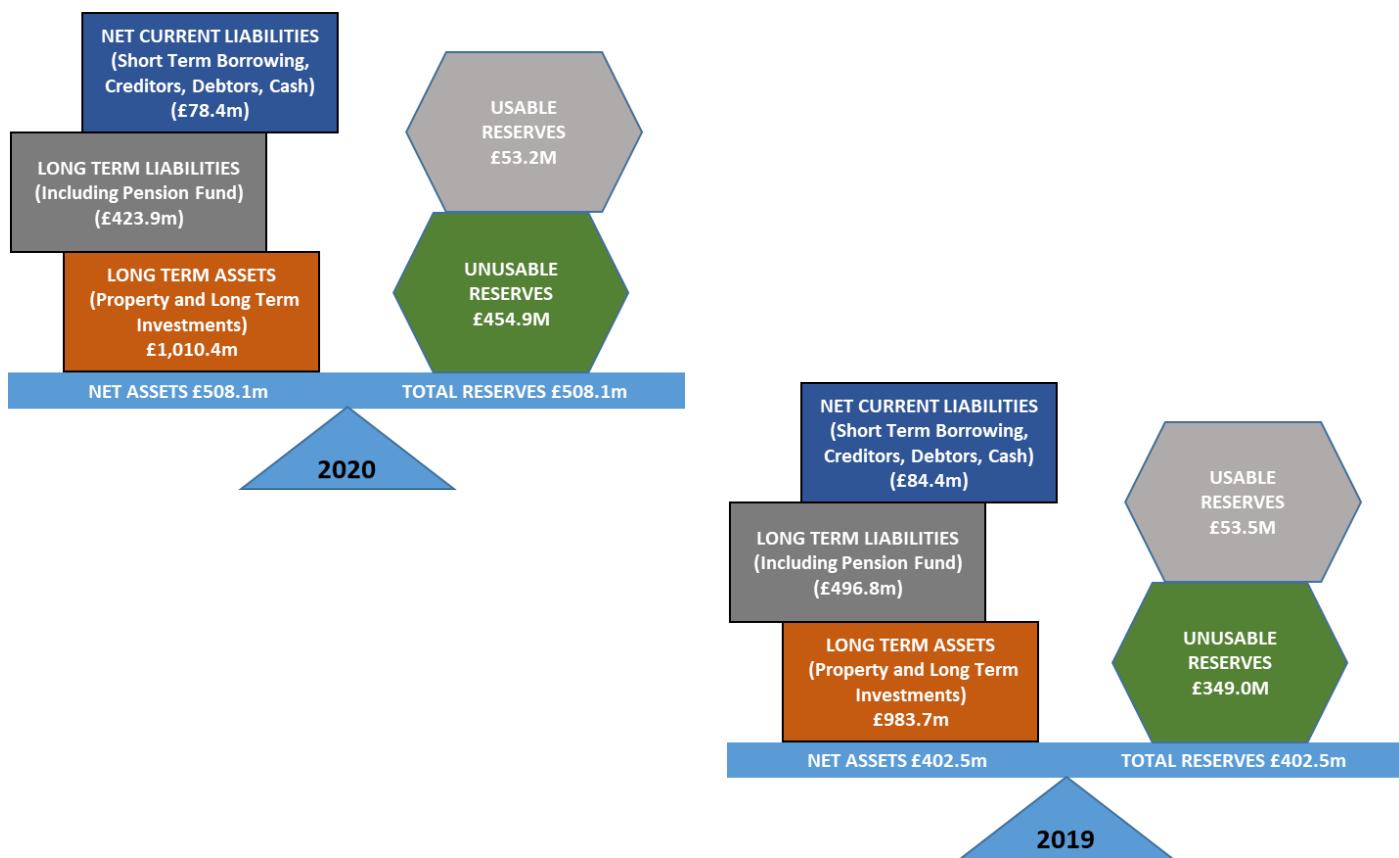
The key indicators are noted below with full details provided on the Council's website:

<https://www.north-ayrshire.gov.uk/Documents/CorporateServices/Finance/tmis-2019-20.pdf>

Financial Indicator	2019/20	2018/19	Commentary
Capital Financing Requirement	£309.4m	£307.7m	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	£279.5m	£256.0m	
(Over) / Under Borrowed	£29.9m	£51.7m	
Ratio of financing costs to net revenue stream - General Fund	4.5%	4.9%	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. The rising ratio within the HRA is indicative of the significant capital investment programme and the level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing Business plan
Ratio of financing costs to net revenue stream - HRA	17.1%	15.0%	
Loans Fund Interest Rate	4.0%	4.0%	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 2020, 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 40.



The Balance Sheet on page 40 summarises the Assets and Liabilities and shows a net worth of £508.1m. This is an increase from last year due to an increased value of Assets of £44.4m and a reduction in Liabilities of £61.2m. The main changes to the Council's Balance Sheet are explained below:

- Property, Plant and Equipment have increased in value by £27.3m, mainly due to the revaluation of our Council Housing stock and the investment in new assets across the Council. The Council's main asset groups are revalued on a five year rolling programme.
- Current Assets have increased by £16.2m due to an increase in cash and liquid investments, reflecting an increase in liquid holdings to mitigate the immediate financial impact of the Covid-19 pandemic, including the provision of grant support to local businesses.
- Increases in Short and Long Term Borrowing of £23.9m supports of the Council's Capital Investment Strategy while reflecting the Council's continued strategy of using internal resources and temporary borrowing to minimise costs.
- The Council's share of Strathclyde Pension Fund's net long term liability as at 31 March 2020 is £122.1m, a reduction of £76.8m primarily driven by reduced inflation assumptions, resulting in a reduction in the value of pension liabilities, partly offset by a reduction in the return on Scheme assets, resulting in the change in the value of the pension assets. 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 and Risks

## Outlook

### a) Coronavirus

The immediate outlook for North Ayrshire Council is dominated by the ongoing response to the Covid-19 pandemic and the anticipated recovery and renewal phase following the lockdown.

Working with the Scottish Government, partner agencies and the 3<sup>rd</sup> sector, North Ayrshire Council has played a vital role in responding to the pandemic by protecting and supporting North Ayrshire residents, employees and businesses.

This has included the delivery of essential services, such as food provision, collecting prescriptions and providing advice, guidance and referrals to a range of Council and partner services. This support has been organised through catering hubs and community hubs which bring together colleagues from across the Council, the Health and Social Care Partnership and voluntary and community groups as part of a whole systems approach to supporting vulnerable citizens and families.

Where they are able to do so, staff are working from home and continue to provide support to residents and businesses across the area. This includes advisory and financial support to businesses adversely affected by the current lockdown as well as the administration of welfare assistance, in the form of crisis grant funding and Council Tax reductions, to citizens. Maintaining funding levels to ensure that key partners and suppliers continue to be financially sustainable during this time is also an important aspect of support, as well as ensuring the immediate release of funding in advance of normal payment terms.

The financial impact for North Ayrshire Council is being carefully monitored with specific challenges emerging in relation to the provision of food and other essential support services and the loss of anticipated income across services such as leisure provision, waste collection, property letting, licensing and building control. In addition, further, as yet unquantifiable, impacts are anticipated in relation to increased Council Tax arrears, reduced debt recovery and increased demand across services arising from any future economic downturn. It is also recognised that there will be additional costs incurred in supporting the recovery and renewal process as we transition gradually out of the crisis. Work continues to be progressed with COSLA and the Scottish Government in this regard. However, initial indications are that the pandemic presents a significant risk to the finances of the Council which could result in reductions to services.

From an accounting perspective the value of our assets is expected to be adversely impacted by the pandemic and the resultant economic recovery. This is referenced at several points throughout the attached accounts. However, the actual value of this potential impact on the net worth of the Council will only emerge once the full extent of the economic effects of the pandemic on local employment, businesses and the wider economy have been determined.

### b) The Economy

Economic performance has a significant impact on the availability of funding and demand for public services. The Bank of England's Monetary Policy and Interim Financial Stability Reports for May 2020 noted that the spread of Covid-19 and the measures to contain it are having a significant impact on the UK and many countries around the world.

Economic activity has fallen sharply since the beginning of the year and unemployment has risen markedly, both domestically and globally. The unprecedented situation means that the outlook for the economy is unusually uncertain with the long-term impact likely to be determined by how households and businesses respond.

Although official data is limited, it is apparent that the ongoing lockdown has significantly reduced consumer spending, which is 30% lower than for 2019. At the same time, the widespread use of the Job Retention and Self Employed Support schemes has limited the fall in income over this period and the full impact on employment and income will only become apparent once these schemes are withdrawn.

The longer term consequences of the current situation on the funding of local government services is uncertain and North Ayrshire Council is working closely with relevant partners and other local authorities to ensure that the potential impact on the demand for local government services and other sources of local government income is taken into consideration by the UK and Scottish Governments.

## c) North Ayrshire's Plans

### Our Financial Plans

The Council's Long Term Financial Outlook highlights the significant funding pressure that the Council may face over the period to 2028. The Council has agreed its Medium Term Financial Plan for 2020/21 to 2022/23, with a funding gap of £19.6m remaining in the later years. The plan recognises a likely reduction in government grant and increasing expenditure requirements around inflationary pressures, including pay inflation and significant socio economic and demographic pressures. Following a review of Loans Fund advances, Council has approved the creation of an £8.8m Investment Fund which will be available to support investment in the Council's strategic priorities.

The Capital Investment Programme, approved in March 2020 and covering the period to 2027-28, included investment plans of £269.1 million. The principal elements of the programme, aligned with the Council Plan strategic priorities, include delivery of new education facilities; such as the new Ardrossan Community Campus, a new school for those with additional support needs, Moorpark Primary School and Montgomerie Park School; completion of the Upper Garnock Flood and Millport Coastal Protection schemes; and significant investments in relation to the Ayrshire Growth Deal.

We are currently assessing the financial impact of the Covid-19 pandemic, together with the additional resources allocated by the Scottish Government. This information will be included within the financial monitoring reports provided to Council throughout 2020/21 and will be used to inform future Medium Term Financial Plans.

### Our Challenges and Areas of Focus

As we look ahead, our key areas of strategic focus will include the Ayrshire Growth Deal, which will significantly boost our economy, our Climate Change Strategy, with North Ayrshire Council declaring a state of Climate Change Emergency with an ambition towards achieving a net zero carbon footprint, and, importantly, ensuring that Community Wealth Building is at the heart of the pandemic recovery. In addition, we will continue to work towards progressing our work towards the priority outcomes detailed in the Council Plan 2019 – 2024, whilst also recognising that they may be impacted by the ongoing pandemic and therefore subject to change. Key examples of this include:

#### Aspiring Communities

- Progressing the development of our Community Charter;
- Consulting with the public on our proposals for the new Ardrossan Campus. Now complete;
- Progressing the extensive property adaptations required to deliver 1140 hours of Early Learning and Childcare;
- Developing our Community Wealth Building strategy to enhance community wealth and local jobs. Now Complete;
- Working towards securing major inward investment to bring new businesses to the area; and
- Completing our Safer North Ayrshire strategy.

#### Inspiring Place

- Progressing the Ardrossan Harbour investment plans;
- Marketing the next phase of house building at Montgomerie Park, Irvine;
- Deliver the Strategic Housing and Investment Programme to provide 1,732 new homes;
- Progressing the Ayrshire Growth Deal Marine Tourism development work; and
- Working with householders to increase participation in recycling schemes.

#### Council for the Future

- Undertaking community engagement to seek views on our next phase of transformation. Now complete;
- Finalising our Municipalisation Strategy. Now complete; and
- Preparing a 10-year regional strategy to transform the Ayrshire economy.

## Community Engagement

The Council has carried out a programme of engagement across each locality with the main focus on seeking views from community representatives on the new Council Transformation themes to help inform the Council's Financial Plans and the development of Community Charter. In particular, the engagement explored how the relationship between communities and the Council can be reshaped to improve how we work together to deliver positive outcomes for citizens and the environment.

The consultation covered the main Transformation themes of Caring for People, Land and Property Assets, Service Delivery Models, Transport and Travel, Charging for Services, Children, Young People and Communities, with responses focussed on helping others (including tackling social isolation), recycling, building the economy, on-line services, food, volunteering and kindness.

In addition, a Community Charter is being progressed for each locality and will be shared with locality partnerships

## Risks

The Council reviews and updates the Strategic Risk Register on an annual basis. During March 2020 the Council identified 7 risks which were classified as either High or Very High.

The following diagram summarises the 3 risks facing the Council and its Partners which have been classified as Very High, alongside the mitigating actions identified for each:

Risk and Impact	Financial Environment £	Inequalities	Financial Sustainability of the HSCP
Mitigations	<ul style="list-style-type: none"><li>&gt; Proactive response to Financial Challenge</li><li>&gt; Robust monitoring of the Council's Revenue and Capital Budgets</li><li>&gt; Long Term Financial Outlook</li><li>&gt; Medium Term Financial Planning</li></ul>	<ul style="list-style-type: none"><li>&gt; Fair for All Strategy</li><li>&gt; Inclusive Growth Diagnostic to inform investment and policy decisions</li><li>&gt; Economic Strategy</li><li>&gt; Community Wealth Building Commission</li><li>&gt; Challenge Poverty Approach</li></ul>	<ul style="list-style-type: none"><li>&gt; Active monitoring of the partnership's financial position</li><li>&gt; Implementation of Financial Recovery Plan</li><li>&gt; Chief Finance and Transformation Officer</li><li>&gt; Medium Term Financial Planning</li></ul>

In addition to the risks identified on the Strategic Risk Register, during March 2020 the Council identified Coronavirus as a Very High Risk. However, as a newly emergent risk, the full impact and mitigations had not been fully detailed before the implementation of the lockdown period. Work will continue in the new financial year to fully identify the impact of the pandemic on North Ayrshire and detail the various mitigating actions which are being actively developed at this time.

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

# Supplementary Information and Conclusion

## 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 £37.2m. 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 38 on page 84.

### (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 surplus of £0.075m resulting in an accumulated surplus as at 31 March 2020 of £2.069m. Details of income and expenditure accounts and balance sheets can be found on page 44 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 45 of these accounts. Overall the Trust Funds reported an in year deficit of £0.008m resulting in an accumulated surplus as at 31 March 2020 of £0.364m. 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 has continued to operate in an environment which has been financially challenging and the current, and ongoing, impact of the Covid-19 pandemic is set to increase these financial challenges as the Council and the communities which we serve come to terms with the current restrictions and the evolving realities of the post-coronavirus world. However, it is important to appreciate the successes which North Ayrshire Council achieved throughout 2019/20 and, whilst some of our actions may be impacted by the pandemic, the key priorities of the Council remain firmly the same and have even been strengthened due to current events.

The consultation on and approval of the Council Plan 2019 – 2024 identified the clear vision and mission of the Council over the next 5 years, including how we are going to deliver and measure our success against this. This document, together with our Council Plan Progress Reports, highlights our improving performance and identifies some of the key highlights from 2019/20.

During 2019/20 we have delivered high quality services to the communities of North Ayrshire with total net revenue expenditure of £395m. In addition, we have delivered over £70m of investment through our Capital Investment Programme, including significant investments in our town centres, schools, roads and council houses.

Looking forward, our robust Financial Planning framework will help us to deliver revenue services of £400m per year over each of the next 3 years, while our refreshed capital programme will deliver a further £269m of investment in our assets over the next 7 years with a further £96m investment in our housing stock.

We have concluded the year in a period of unprecedented uncertainty and a great deal of work remains to be done to meet the financial challenges identified in our Medium Term Financial Plan and the new financial challenges which have still to emerge. However, we remain focussed on the clear vision of a North Ayrshire which is Fair for All.

# Where to Find More Information

If you would like more information, our Council website holds detailed 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](http://www.north-ayrshire.gov.uk/council/strategies-plans-and-policies)

[www.north-ayrshire.gov.uk/council/performance-and-spending](http://www.north-ayrshire.gov.uk/council/performance-and-spending)



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*Craig Hatton*

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Craig Hatton  
Chief Executive  
29 September 2020

DocuSigned by:

*Joe Cullinane*

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Councillor Joe Cullinane  
Leader of the Council  
29 September 2020

DocuSigned by:

*Mark Boyd*

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Mark Boyd  
Head of Finance  
29 September 2020



# Statement of Responsibilities

## Responsibilities of the Council

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Finance;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and, so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- To approve the Statement of Accounts.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit and Scrutiny Committee on 29 September 2020.



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Councillor Joe Cullinane  
Leader of the Council  
29 September 2020

## Responsibilities of the Chief Financial Officer

The Head of Finance is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing these annual accounts, the Head of Finance has:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- Kept adequate 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 2020.



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Mark Boyd  
Head of Finance  
29 September 2020

# 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 2019/20 the salary for the Leader of North Ayrshire Council was set at £34,944 (2018/19: £33,992) and the salary for the Provost was set at £26,208 (2018/19: £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 2019/20, the maximum salary which could be paid to a Senior Councillor was £26,208 (2018/19: £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 £305,746 (2018/19: £297,430).

As at 31 March 2020 the Council had 9 Senior Councillors. The annual salaries for the Depute Leader and the Leader of largest minority party were set at £26,208 (2018/19: £25,494), the maximum level. The remaining Senior Councillors received an annual salary of £21,839 (2018/19: £21,164), and total remuneration of £205,289 (2018/19: £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 2019/20 £	Total Remuneration 2018/19 £
<b>Alex Gallagher</b> Cabinet Member	April 2019	March 2020	21,839	21,164
<b>Ian Clarkson</b> Provost	April 2019	March 2020	26,208	25,494
<b>James Montgomerie</b> Cabinet Member	April 2019	March 2020	21,839	21,164
<b>Joe Cullinane</b> Leader of the Council	April 2019	March 2020	34,944	33,992
<b>John Bell</b> Depute Leader of the Council	April 2019	March 2020	26,208	25,494
<b>Louise McPhater</b> Cabinet Member	April 2019	March 2020	21,839	21,164
<b>Marie Burns</b> Leader of the Largest Minority & Chair, Audit and Scrutiny Committee	April 2019	March 2020	26,208	25,494
<b>Robert Barr</b> Depute Provost	April 2019	March 2020	21,839	21,462
<b>Robert Foster</b> Cabinet Member	April 2019	March 2020	21,839	21,164
<b>Ronnie McNicol</b> Chair, Licensing Committee	April 2019	March 2020	21,839	21,164
<b>Tom Marshall</b> Chair, Planning Committee	April 2019	March 2020	21,839	21,164
<b>Total</b>			<b>266,441</b>	<b>258,920</b>

Remuneration paid to the Provost and Leader of the Council in 2019/20 is £61,152 (2018/19: £59,486). Total remuneration to the remaining 9 Senior Councillors is £205,289 (2018/19: £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 2019/20. 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 2019/20, the Chief Executive and the Interim Executive Director (Communities) held positions 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 until 26 June 2019 and was replaced by Head of Service (Physical Environment). The Director (Growth & Investment) held a position of Director of Ardrossan North Shore LLP. There was no remuneration associated with these positions.

During 2019/20 the Council approved a revised Chief Officer structure. The positions of Interim Executive Director (Communities) and Executive Director (Place) became vacant. 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 until the new Executive Directors were appointed on 1 July 2019. 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 2019/20 £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
<b>Craig Hatton</b> Chief Executive	April 2019	March 2020	139,372	139,372	121,909
<b>Craig Hatton</b> Returning Officer/Counting Officer	April 2019	March 2020	6,633	6,633	-
<b>Elma Murray</b> Chief Executive	N/A	N/A	-	-	85,067
<b>Audrey Sutton</b> Interim Executive Director, Communities (Full Year Equivalent £111,761)	July 2019	March 2020	83,871	83,871	-
<b>Karen Yeomans</b> Director, Growth & Investment	April 2019	March 2020	111,761	111,761	108,506
<b>Laura Friel</b> Executive Director, Finance & Corporate Support	April 2019	March 2020	111,761	111,761	108,506
<b>Russell McCutcheon</b> Head of Service, Commercial Services Executive Director, Place	April 2019	June 2019	107,769	107,769	47,381
<b>John Butcher</b> Executive Director, Education and Youth Employment	N/A	N/A	-	-	165,536
<b>Andrew McClelland</b> Head of Service, Learning, Teaching & Curriculum (Full Year Equivalent £90,596)	April 2019	June 2019	23,899	23,899	61,869
<b>Caroline Amos</b> Head of Service, Inclusion (Full Year Equivalent £90,596)	April 2019	June 2019	23,899	23,899	61,869
<b>Yvonne Baulk</b> Head of Service, Physical Environment (Full Year Equivalent £90,596)	April 2019	June 2019	23,899	23,899	47,381
<b>Andrew Fraser</b> Monitoring Officer	April 2019	March 2020	90,847	90,847	88,104
<b>David MacRitchie</b> Chief Social Work Officer	April 2019	March 2020	71,364	71,364	65,850
<b>Total</b>			<b>795,075</b>	<b>795,075</b>	<b>961,978</b>

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 2018/19 and 2019/20 are shown in Table 3.

**Table 3: Tier and Member Contribution Rates**

<b>Whole time pay bandings 2018/19</b>	<b>Employee Contribution rate</b>	<b>Whole time pay bandings 2019/20</b>
On earnings up to and including £21,300	5.50%	On earnings up to and including £21,800
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £21,800 and up to £26,700
On earnings above £26,100 and up to £35,700	8.50%	On earnings above £26,700 and up to £36,600
On earnings above £35,700 and up to £47,600	9.50%	On earnings above £36,600 and up to £48,800
On earnings above £47,600	12.00%	On earnings above £48,800

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 2020 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 2020	For year to 31 March 2019	As at 31 March 2020		Difference from 31 March 2019	
			Pension £	Lump Sum £	Pension £	Lump Sum £
Alex Gallagher	4,399	4,085	4,688	1,492	594	52
Ian Clarkson	5,279	4,902	5,260	1,584	732	73
James Montgomerie	4,399	4,085	3,313	-	557	-
Joe Cullinane	7,039	6,535	4,363	-	903	-
John Bell	5,279	4,902	5,358	1,685	720	68
Louise McPhater	4,399	4,085	1,609	-	492	-
Robert Barr	4,399	4,085	3,411	-	524	-
Robert Foster	4,399	4,085	1,295	-	484	-
Ronnie McNicol	4,399	4,085	4,767	1,044	574	27
	<b>43,991</b>	<b>40,849</b>				

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 2020 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 2020	For year to 31 March 2019	As at 31 March 2020		Difference from 31 March 2019	
	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £
<b>Craig Hatton</b> Chief Executive	26,899	23,529	82,332	-	11,844	-
<b>Elma Murray</b> Chief Executive (until 31/10/2018)	-	15,367	-	-	n/a	n/a
<b>Audrey Sutton</b> Executive Director, Communities (from 01/07/2019)	20,317	-	33,406	41,250	7,424	8,686
<b>Karen Yeomans</b> Director, Growth & Investment	21,570	20,942	16,601	-	2,645	-
<b>Laura Friel</b> Executive Director, Finance & Corporate Support	21,570	20,942	56,851	102,744	3,818	2,993
<b>Russell McCutcheon</b> Head of Service, Commercial Services Executive Director, Place	20,800	17,010	51,375	93,937	10,035	17,116
<b>John Butcher</b> Executive Director, Education and Youth Employment (until 27/07/2018)	-	6,878	-	-	n/a	n/a
<b>Andrew McClelland</b> Head of Service, Learning, Teaching & Curriculum	17,003	17,184	3,813	-	565	-
<b>Caroline Amos</b> Head of Service, Inclusion	17,003	17,184	6,981	-	640	-
<b>Yvonne Baulk</b> Head of Service, Physical Environment	17,003	17,010	41,084	74,101	640	(30)
<b>Andrew Fraser</b> Monitoring Officer	17,533	17,004	47,236	86,662	3,174	2,616
<b>David MacRitchie</b> Chief Social Work Officer	13,209	12,699	39,512	78,160	2,786	3,011
<b>Total</b>	<b>192,907</b>	<b>185,749</b>				

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	2019/20	2018/19
	£	£
Salaries	679,193	630,536
Expenses	47,160	38,330
<b>Total</b>	<b>726,353</b>	<b>668,866</b>

The annual return of Councillors' salaries and expenses for 2019/20 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](http://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. Remuneration consists of all payments made to individuals, including salaries (including arrears of pay), expenses and any payments made to an individual in respect of termination costs. 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 2020	As at 31 March 2019
£50,000-£54,999	136	83
£55,000-£59,999	84	46
£60,000-£64,999	58	16
£65,000-£69,999	17	5
£70,000-£74,999	8	2
£75,000-£79,999	6	1
£80,000-£84,999	2	6
£85,000-£89,999	8	5
£90,000-£94,999	3	-
£95,000-£99,999	-	-
£100,000-£104,999	-	-
£105,000-£109,999	3	2
£110,000-£114,999	2	-
£115,000-£119,999	1	-
£120,000-£124,999	1	1
£125,000-£129,999	-	-
£130,000-£134,999	-	-
£135,000-£139,999	1	-
<b>Total</b>	<b>330</b>	<b>167</b>

## 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 2019/20, 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 2020. Following approval of the revised Local Government and Teachers early release schemes in August 2018, Compensatory Added Years is no longer paid for any severances after 31 March 2019.

The figures include employees who have committed to leave during 2019/20, although their actual leaving date may be later than 31 March 2020.

**Table 9: Exit Packages**

Band	2019/20		2018/19	
	Number of Employees	Value £	Number of Employees	Value £
£0-£20,000	9	92,169	49	571,102
£20,001-£40,000	5	143,623	44	1,199,069
£40,001-£60,000	3	140,270	13	597,304
£60,001-£80,000	2	155,385	5	360,423
£80,001+	3	516,424	17	2,023,306
	22	1,047,871	128	4,751,204

## 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 2019/20, 145 employees (2018/19: 126) were relevant trade union officials and 53 of these employees (2018/19: 55) spent a proportion of their working hours on facility time:

Percentage of Time	Number of Employees (Headcount)
0%	92
1% - 50%	50
51% - 99%	2
100%	1

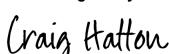
The percentage of the total paybill spent on facility time was 0.07% (2018/19: 0.13%).

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 4.75% (2018/19: 16.13%).

The Trade Union Facility Time Statement for 2019/20 is available for any member of the public to view on the Council's website at <https://www.north-ayrshire.gov.uk/council/council-information/workforce-facts.aspx>



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Craig Hatton

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Craig Hatton  
Chief Executive  
29 September 2020



DocuSigned by:

  
Joe Cullinane

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Councillor Joe Cullinane  
Leader of the Council  
29 September 2020



# 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 2019-20 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. A 'Policy Advisory Panel' consisting of all elected members assisted in the preparation of policy proposals for consideration and approval by Cabinet.;
- 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 September 2019;
- 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;
- The Council's mission, vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators;
- 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 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 2019-20 was approved by Cabinet in March 2019;
- 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 continued during 2019-20;
- 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. This was relaunched as 'Our Time to Talk' during 2019-20;
- In order to ensure its asset management arrangements are robust, the Council has established the Corporate Asset Strategy. 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. This is underpinned by 6 themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet. These asset management plans were refreshed during 2019-20;
- 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 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 which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services;
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation;
- 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<sup>st</sup> March 2020.

## 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 (2016)'.

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 auditors Deloitte LLP, Audit Scotland and other review agencies.

The Section 95 Officer 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 Section 95 Officer 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 2019-20.

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, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks.

## Implementation during 2019-20 of Governance Developments identified in 2018-19 Annual Governance Statement

A new Council Plan, covering the period from 2019 to 2024, was approved in draft by the Council at the end of March 2019. Following a period of public consultation, the finalised plan was approved at the full meeting of the Council on 26 June 2019.

Following the appointment of Craig Hatton as Chief Executive in Autumn 2018 and the development and approval of the new Council Plan, a new Council structure was implemented in Summer 2019. This has two main directorates aligned to the Council Plan – Place and Communities – which will help ensure the Council is well placed to deliver the best possible outcomes for our communities. The Finance and Corporate Support Directorate also remained in place at that time, but the constituent Services moved into the Chief Executives Service in a second phase of the restructure in April 2020.

A new Medium-Term Financial Outlook covering the period 2020/21 to 2022/23 was approved by the Council in December 2019. This notes the scale of the financial challenge which the Council faces and underpins the development of a balanced budget. The Revenue and Capital Estimates were approved by the Council on 5<sup>th</sup> March 2020.

## Other Significant Governance Developments during 2019/20

The External Audit Interim Report 2018/19 recommended the Council undertake an annual self-evaluation of committee and Council performance. Given that CIPFA's "Delivering Good Governance in Local Government" is already adopted and an annual report to Council reviewing core governance documentation is produced, the auditors agreed that this recommendation could be met by assessing the effectiveness of the current Audit and Scrutiny Committee via a self-evaluation exercise, to be undertaken in line with best practice frameworks. A self-assessment toolkit was developed, largely based on toolkits developed by CIPFA and Deloitte. This was largely positive, and a small number of improvement actions were identified and implemented. The Committee agreed that this would be reviewed annually.

A Best Value Audit Review was carried out by Audit Scotland and Deloitte LLP in January and February 2020. The report was published by the Accounts Commission on 30 June and highlighted key strengths of the Council such as a strong culture of continuous improvement and collaborative working, sound arrangements for financial planning and management and for asset management and a sector-leading approach to community empowerment. The report further noted that the Council has made significant progress since the previous Best Value report in 2011. But there are challenges, including the urgent need to make savings of up to £19 million over the next two years and a need to continue looking forwards to transforming the delivery of council services, whilst ensuring the lives of local people improve.

The Council undertook a staff survey called 'Our Voice' in Autumn 2019. This survey combined three surveys previously issued to employees on the topics of engagement, stress and healthy working lives, with the addition of a new element around health and safety culture. The aim of the Our Voice survey was to gain a holistic picture of how employees view the Council by focusing on a number of areas, whilst also reducing the number of surveys that employees are invited to complete.

During 2019-20, the Council developed a Community Wealth Building approach. A Community Wealth Building strategy was developed and subsequently approved in May 2020. This will see the Council and other 'anchor organisations' working in partnership with communities and businesses and marks a fundamental change in how the Council will tackle inequality and poverty to create a fairer and more resilient local economy.

The Internal Audit Annual Report 2019-20 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 2020/21

On 11<sup>th</sup> March 2020 the World Health Organisation declared the outbreak of COVID-19 as a global pandemic and on 23<sup>rd</sup> March the United Kingdom entered a period of lockdown.

This had an unprecedented impact on the governance and operations of the Council. Meetings of the Council and its committees were suspended until June 2020. During this period, the Council's Scheme of Delegation to Officers allowed the Chief Executive "to consider and deal with any urgent issues, howsoever arising, subject to reporting back to the Cabinet for information at the first available opportunity. This power is to be exercised in consultation with the relevant Chief Officer and the relevant portfolio holder."

During the period that meetings are suspended, the Chief Executive in practice undertook the following consultation prior to making a decision:-

- Matters which would normally go to Council – consultation with 3 Group Leaders and Councillor Murdoch (previously Councillor McNicol) representing the Independents;
- Matters which would normally go to Cabinet, or a Committee- as per the current scheme of delegation consultation with the Leader (for Cabinet), Committee Chair (other committees) and Portfolio Holder if different;
- Controversial Council matters- consultation with all Members to get a feel for whether there is likely to be support. 'Controversial' is as defined in the Scheme of Delegation.

In the interests of transparency, decision notices in respect of matters determined under the emergency governance arrangements are published on the Council's website on a fortnightly basis, together with the relevant officer report.

Some virtual Committee meetings were restarted in the week commencing 25 June 2020.

The impact on the Council's operations during the period of emergency included the following:

- Impact on the delivery of business as usual services
- New areas of activity as part of the national and local response to the emergency
- The funding and logistical consequences of delivering the response
- Assessment of the long-term disruption and consequences arising from the pandemic
- Planning for recovery and renewal of service delivery for the future

The Council appointed a new Head of Service (Recovery and Renewal) in May 2020 in order to co-ordinate the emergence from the lockdown and the transformation of service delivery.

## Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2019-20 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.

The impact of the COVID-19 pandemic has resulted in unprecedented impacts on the governance and operations of the Council moving into 2020-21.



DocuSigned by:

*Craig Hatton*

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Craig Hatton  
Chief Executive  
29 September 2020

DocuSigned by:

*Joe Cullinane*

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Councillor Joe Cullinane  
Leader of the Council  
29 September 2020

# 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 2020 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 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 and Trusts and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

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

#### Basis for opinion

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

#### Emphasis of matter – Material uncertainty relating to valuation of property assets

We draw attention to note 39 in the financial statements, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's property portfolio. As noted by the Council's valuers, the outbreak has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the property assets at the balance sheet date. Our opinion is not modified in respect of this matter.

## **Conclusions relating to going concern basis of accounting**

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

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

## **Risks of material misstatement**

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

## **Responsibilities of the Head of Finance and North Ayrshire Council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Finance 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 Head of Finance 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 Head of Finance 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report. Other information in the annual accounts

The Head of Finance 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.

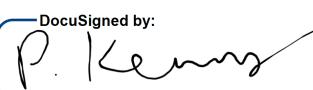
We have nothing to report in respect of these matters.

### 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.

DocuSigned by:  
  
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Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom  
29 September 2020

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) 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 costs. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The 2018/19 figures have been restated to reflect changes in the service structure and does not change the Net Cost of Services reported for the year.

	Notes	North Ayrshire Council 2019/20			Group	North Ayrshire Council 2018/19 (Restated)			Group
		Gross Expend £m	Gross Income £m	Net Expend £m		Gross Expend £m	Gross Income £m	Net Expend £m	
Chief Executive and Democratic Services		4.867	(0.503)	4.364	4.364	4.751	(0.479)	4.272	4.272
Finance & Corporate Support		65.294	(44.360)	20.934	20.934	69.580	(49.547)	20.033	20.033
Communities		147.616	(22.164)	125.452	126.780	136.802	(17.820)	118.982	120.604
Place		143.898	(38.720)	105.178	105.178	141.691	(35.154)	106.537	106.537
Health and Social Care Partnership		233.626	(129.309)	104.317	104.317	224.428	(126.265)	98.163	98.163
Other Corporate Items		0.807	(0.941)	(0.134)	(0.134)	25.452	(0.275)	25.177	25.177
<b>Cost Of General Fund Services</b>		<b>596.108</b>	<b>(235.997)</b>	<b>360.111</b>	<b>361.439</b>	<b>602.704</b>	<b>(229.540)</b>	<b>373.164</b>	<b>374.786</b>
Housing Revenue Account		41.532	(49.524)	(7.992)	(7.992)	44.244	(47.944)	(3.700)	(3.700)
<b>Net Cost of Services</b>		<b>637.640</b>	<b>(285.521)</b>	<b>352.119</b>	<b>353.447</b>	<b>646.948</b>	<b>(277.484)</b>	<b>369.464</b>	<b>371.086</b>
Associates and joint ventures accounted for on an equity basis				-	(3.119)	-	-	-	(0.802)
Other Operating Expenditure and Income	3	-	(0.139)	(0.139)	(0.139)	-	(0.063)	(0.063)	(0.063)
Financing and Investment Income and Expenditure	4	48.110	(23.607)	24.503	24.466	48.377	(25.074)	23.303	23.262
Taxation and Non-Specific Grant Income	8	-	(370.811)	(370.811)	(370.811)	-	(341.733)	(341.733)	(341.733)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>685.750</b>	<b>(680.078)</b>	<b>5.672</b>	<b>3.844</b>	<b>695.325</b>	<b>(644.354)</b>	<b>50.971</b>	<b>51.750</b>
(Surplus) / Deficit on revaluation of fixed assets	30			(9.031)	(8.863)			37.973	37.943
Actuarial (gains)/losses on pension assets/liabilities	30			(102.295)	(102.295)			58.257	58.257
Share of other comprehensive expenditure and income of associates and joint ventures				-	(3.147)			-	1.262
<b>Other Comprehensive Income and Expenditure</b>				<b>(111.326)</b>	<b>(114.305)</b>			<b>96.230</b>	<b>97.462</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(105.654)</b>	<b>(110.461)</b>			<b>147.201</b>	<b>149.212</b>

# Core Financial Statements

## Movement in Reserves Statement

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

The Statement shows how the movements of the Council's reserves in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return 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.

	Notes	General Fund Balance £m	Statutory Housing Revenue Account £m	Capital and Other Reserves £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Council's Share of Group Entity Reserves £m	Total Group Reserves £m
<b>Balance at 1 April 2018</b>		<b>33.235</b>	<b>13.627</b>	<b>12.128</b>	<b>58.990</b>	<b>490.693</b>	<b>549.683</b>	<b>34.441</b>	<b>584.124</b>
Total Comprehensive Expenditure and Income		(59.532)	8.561	-	(50.971)	(96.230)	(147.201)	(2.011)	(149.212)
<i>Adjustments between accounting basis and funding basis under regulations</i>	10	53.252	(9.775)	2.031	<b>45.508</b>	(45.508)	-		
<b>Net increase/(decrease) before transfers to other statutory reserves</b>		<b>(6.280)</b>	<b>(1.214)</b>	<b>2.031</b>	<b>(5.463)</b>	<b>(141.738)</b>	<b>(147.201)</b>	<b>(2.011)</b>	<b>(149.212)</b>
Transfers to/(from) other statutory reserves		4.908	-	(4.908)	-	-	-	-	-
<b>Net Increase/(Decrease)</b>	<b>11</b>	<b>(1.372)</b>	<b>(1.214)</b>	<b>(2.877)</b>	<b>(5.463)</b>	<b>(141.738)</b>	<b>(147.201)</b>	<b>(2.011)</b>	<b>(149.212)</b>
<b>Balance at 31 March 2019</b>	<b>11, 30</b>	<b>31.863</b>	<b>12.413</b>	<b>9.251</b>	<b>53.527</b>	<b>348.955</b>	<b>402.482</b>	<b>32.430</b>	<b>434.912</b>
Total Comprehensive Expenditure and Income		(23.110)	17.438	-	(5.672)	111.326	<b>105.654</b>	4.807	<b>110.461</b>
<i>Adjustments between accounting basis and funding basis under regulations</i>	10	26.301	(18.953)	(1.991)	<b>5.357</b>	(5.357)	-		
<b>Net increase/(decrease) before transfers to other statutory reserves</b>		<b>3.191</b>	<b>(1.515)</b>	<b>(1.991)</b>	<b>(0.315)</b>	<b>105.969</b>	<b>105.654</b>	<b>4.807</b>	<b>110.461</b>
Transfers to/(from) other statutory reserves		(0.472)	-	0.472	-	-	-	-	-
<b>Net Increase/(Decrease)</b>	<b>11</b>	<b>2.719</b>	<b>(1.515)</b>	<b>(1.519)</b>	<b>(0.315)</b>	<b>105.969</b>	<b>105.654</b>	<b>4.807</b>	<b>110.461</b>
<b>Balance at 31 March 2020</b>	<b>11, 30</b>	<b>34.582</b>	<b>10.898</b>	<b>7.732</b>	<b>53.212</b>	<b>454.924</b>	<b>508.136</b>	<b>37.237</b>	<b>545.373</b>

# Core Financial Statements

## Balance Sheet

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'.

	Notes	As at 31 March 2020 £m	Group 31 March 2020 £m	As at 31 March 2019 £m	Group 31 March 2019 £m
Property, Plant & Equipment	12	1,007.548	1,011.618	980.238	985.219
Heritage Assets	15	1.327	1.327	1.327	1.327
Intangible Assets	16	0.537	0.537	0.922	0.922
Assets Held for Sale	14	0.740	0.740	0.548	0.548
Long Term Investments	20	0.350	0.504	0.350	0.504
Investment in Associates and Joint Ventures	38	-	27.571	-	21.935
Long Term Debtors	18	0.649	0.147	0.846	0.162
<b>Long Term Assets</b>		<b>1,011.151</b>	<b>1,042.444</b>	<b>984.231</b>	<b>1,010.617</b>
Inventories	23	1.140	1.140	0.864	0.864
Short Term Intangible Assets	16	-	-	0.252	0.252
Short Term Investments	20	30.031	30.031	5.028	5.028
Short Term Debtors	24	42.913	42.952	41.667	41.667
Cash and Cash Equivalents	37	5.777	5.777	14.552	14.798
<b>Current Assets</b>		<b>79.861</b>	<b>79.900</b>	<b>62.363</b>	<b>62.609</b>
Short Term Borrowing	25	(90.719)	(90.719)	(75.257)	(75.257)
Short Term Creditors	26	(65.519)	(56.745)	(69.009)	(59.724)
Short Term Provisions	27	(2.699)	(2.699)	(3.068)	(3.068)
<b>Current Liabilities</b>		<b>(158.937)</b>	<b>(150.163)</b>	<b>(147.334)</b>	<b>(138.049)</b>
Long Term Borrowing	20	(198.392)	(198.392)	(189.939)	(189.939)
Long Term Creditors	20	(103.431)	(103.431)	(107.897)	(107.897)
Other Long Term Liabilities	29	(122.116)	(122.116)	(198.942)	(198.942)
Liabilities in Associates and Joint Ventures	38	-	(2.869)	-	(3.487)
<b>Long Term Liabilities</b>		<b>(423.939)</b>	<b>(426.808)</b>	<b>(496.778)</b>	<b>(500.265)</b>
<b>Net Assets</b>		<b>508.136</b>	<b>545.373</b>	<b>402.482</b>	<b>434.912</b>
Usable Reserves	11	53.212	65.747	53.527	53.527
Unusable Reserves	30	454.924	454.924	348.955	348.955
Group Reserves	38	-	24.702	-	32.430
<b>Total Reserves</b>		<b>508.136</b>	<b>545.373</b>	<b>402.482</b>	<b>434.912</b>

The unaudited accounts were issued on 29 June 2020 and the audited accounts were authorised for issue on 29 September 2020.



DocuSigned by:  
**Mark Boyd**  
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 Mark Boyd  
 Head of Finance  
 29 September 2020

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.

	Notes	NAC 2019/20 £m	Group 2019/20 £m	NAC 2018/19 £m	Group 2018/19 £m
Net deficit on the provision of services		5.672	4.405	50.971	51.751
Adjust net surplus on the provision of services for non-cash movements	34	(71.336)	(69.823)	(96.684)	(97.465)
Adjust for items included in the net deficit on the provision of services that are investing and financing activities	34	39.973	39.973	22.254	22.254
<b>Net cash flows from Operating Activities</b>		<b>(25.691)</b>	<b>(25.445)</b>	<b>(23.459)</b>	<b>(23.460)</b>
Investing Activities	35	55.828	55.828	43.770	43.770
Financing Activities	36	(21.362)	(21.362)	(14.594)	(14.594)
<b>Net (increase) or decrease in Cash and Cash Equivalents</b>		<b>8.775</b>	<b>9.021</b>	<b>5.717</b>	<b>5.716</b>
Cash and Cash Equivalents at the beginning of the reporting period		(14.552)	(14.798)	(20.269)	(20.514)
<b>Cash and Cash Equivalents at the end of the reporting period</b>	37	<b>(5.777)</b>	<b>(5.777)</b>	<b>(14.552)</b>	<b>(14.798)</b>

# Supplementary Statements

## 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.

	2019/20 £m	2018/19 £m
<b>Income</b>		
Dwelling Rents	(48.096)	(46.892)
Non-dwelling Rents	(0.306)	(0.302)
Other Income	(0.806)	(0.600)
<b>Total Income</b>	<b>(49.208)</b>	<b>(47.794)</b>
<b>Expenditure</b>		
Repairs and Maintenance	16.645	17.149
Supervision and Management	10.051	10.130
Depreciation and Impairment on Non-Current Assets	14.000	16.432
Bad Debts and movement in Bad Debt Provision	0.456	0.331
Rent, Rates, Taxes and Other Charges	0.044	0.028
Sums directed by Scottish Government Ministers that are expenditure in accordance with IFRS	0.020	0.024
<b>Total Expenditure</b>	<b>41.216</b>	<b>44.094</b>
<b>Net Income of Services as included in the CIES</b>	<b>(7.992)</b>	<b>(3.700)</b>
Corporate & Democratic Core	0.166	0.136
<b>Net Income for HRA Services</b>	<b>(7.826)</b>	<b>(3.564)</b>
Taxation and Non-Specific Grant Income and Expenditure	(14.623)	(9.672)
(Gain)/Loss on Sale of HRA Non-Current Assets	(0.026)	(0.008)
Interest Payable and Similar Charges	4.981	4.651
Interest and Investment Income	(0.093)	(0.064)
Pension Interest Cost and Expected Return on Pension Assets	0.149	0.096
<b>Surplus for the Year on HRA Services</b>	<b>(17.438)</b>	<b>(8.561)</b>

### Movement on the Housing Revenue Account Statement

	2019/20 £m	2018/19 £m
Surplus for the Year on HRA Income and Expenditure Statement	(17.438)	(8.561)
Adjustments between Accounting Basis and Funding Basis under statute	18.953	9.775
<b>Reduction in Year on the HRA</b>	<b>1.515</b>	<b>1.214</b>
Balance on the HRA at 1 April 2019	(12.413)	(13.627)
<b>Balance on the HRA at 31 March 2020</b>	<b>(10.898)</b>	<b>(12.413)</b>

## Housing Stock

The Council's total housing stock at 31 March 2020 was 12,926 (12,940 at 31 March 2019) in the following categories:



\*Includes Studio and One bedroom

## Statutory Adjustments between Accounting Basis and Funding Basis

	2019/20 £m	2018/19 £m
Gain / (Loss) on sale of HRA non-current assets	0.026	0.008
Capital expenditure funded by the HRA	15.516	14.983
Transfer (to)/from the Capital Adjustment Account:		
Depreciation and Impairment	(14.000)	(16.432)
Repayment of Debt	3.269	2.393
Capital grants and contributions that have been applied to capital financing	14.623	9.672
HRA share of contributions to the Pensions Reserve	(0.802)	(1.144)
HRA share of transfer to the Financial Instruments Adjustment Account	0.315	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	0.006	(0.002)
<b>Total Adjustments between Accounting Basis and Funding Basis under statute</b>	<b>18.953</b>	<b>9.775</b>

## Other Information

	2019/20	2018/19
Average weekly rent (52 weeks)	£72.29	£70.29
Bad debts written off in respect of former tenants	£0.319m	£0.294m
Total Rent Arrears	£2.368m	£2.248m
Bad Debt Provision - housing rents	£1.333m	£0.797m
Bad Debt Provision - other debtors	£0.690m	£0.552m
Void Rent Loss	£0.292m	£0.209m

# Supplementary Statements

## 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
<b>Balance at 1 April 2019</b>	<b>0.517</b>	<b>2.550</b>	<b>0.667</b>	<b>0.232</b>	<b>0.017</b>	<b>0.246</b>	<b>4.229</b>
Surplus/(Deficit) For the Year	0.025	0.003	(0.009)	-	-	0.003	<b>0.022</b>
Surplus on the Disposal of Assets	-	0.053	-	-	-	-	<b>0.053</b>
Surplus/(Deficit) on the Revaluation of Fixed Assets	(0.010)	(0.094)	0.006	(0.065)	-	-	(0.163)
<b>Balance at 31 March 2020</b>	<b>0.532</b>	<b>2.512</b>	<b>0.664</b>	<b>0.167</b>	<b>0.017</b>	<b>0.249</b>	<b>4.141</b>

Income and Expenditure Account	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Income	(0.040)	(0.076)	(0.024)	-	-	(0.017)	<b>(0.157)</b>
Expenditure	0.015	0.073	0.033	-	-	0.014	<b>0.135</b>
<b>(Surplus)/Deficit For the Year</b>	<b>(0.025)</b>	<b>(0.003)</b>	<b>0.009</b>	-	-	<b>(0.003)</b>	<b>(0.022)</b>
Capital Receipts	-	(0.053)	-	-	-	-	<b>(0.053)</b>
<b>Surplus Brought Forward</b>	<b>(0.217)</b>	<b>(1.068)</b>	<b>(0.469)</b>	<b>(0.067)</b>	<b>(0.017)</b>	<b>(0.156)</b>	<b>(1.994)</b>
<b>Accumulated Surplus as at 31 March 2020</b>	<b>(0.242)</b>	<b>(1.124)</b>	<b>(0.460)</b>	<b>(0.067)</b>	<b>(0.017)</b>	<b>(0.159)</b>	<b>(2.069)</b>

Balance Sheet at 31 March 2020	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Investment Properties	0.290	1.388	0.204	0.100	-	0.090	<b>2.072</b>
Cash invested in NAC on behalf of the funds	0.242	1.124	0.460	0.067	0.017	0.159	<b>2.069</b>
	<b>0.532</b>	<b>2.512</b>	<b>0.664</b>	<b>0.167</b>	<b>0.017</b>	<b>0.249</b>	<b>4.141</b>
Capital Adjustments Account	-	(1.035)	(0.093)	-	-	(0.066)	<b>(1.194)</b>
Revaluation Reserve	(0.290)	(0.353)	(0.111)	(0.100)	-	(0.024)	<b>(0.878)</b>
Common Good Balance	(0.242)	(1.124)	(0.460)	(0.067)	(0.017)	(0.159)	<b>(2.069)</b>
	<b>(0.532)</b>	<b>(2.512)</b>	<b>(0.664)</b>	<b>(0.167)</b>	<b>(0.017)</b>	<b>(0.249)</b>	<b>(4.141)</b>

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
<b>Surplus at 1 April 2019</b>	<b>(0.084)</b>	<b>(0.061)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.182)</b>	<b>(0.043)</b>	<b>(0.372)</b>
Income	(0.006)	(0.001)	-	-	(0.011)	-	(0.018)
Expenditure	0.004	0.012	-	-	0.009	0.001	0.026
(Surplus) / Deficit at 31 March 2020	(0.002)	0.011	-	-	(0.002)	0.001	0.008
<b>Accumulated (surplus) / deficit at 31 March 2020</b>	<b>(0.086)</b>	<b>(0.050)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.184)</b>	<b>(0.042)</b>	<b>(0.364)</b>
Balance Sheet at 31 March 2020	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	0.145	-	-	-	-	-	0.145
Investments	0.013	-	-	-	0.140	0.001	0.154
Cash invested in NAC on behalf of the Funds	0.073	0.050	0.001	0.001	0.044	0.041	0.210
	<b>0.231</b>	<b>0.050</b>	<b>0.001</b>	<b>0.001</b>	<b>0.184</b>	<b>0.042</b>	<b>0.509</b>
Capital Adjustments Account	(0.026)	-	-	-	-	-	(0.026)
Revaluation Reserve	(0.119)	-	-	-	-	-	(0.119)
Trust Fund Balance	(0.086)	(0.050)	(0.001)	(0.001)	(0.184)	(0.042)	(0.364)
	<b>(0.231)</b>	<b>(0.050)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.184)</b>	<b>(0.042)</b>	<b>(0.509)</b>

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.



# Supplementary Statements

## 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.

	2019/20 £m	2018/19 £m
Gross rates levied	57.132	56.579
Less:		
Reliefs and other deductions	(14.066)	(13.759)
Write-offs of Uncollectable debts and allowance for impairment	(0.608)	(0.651)
<b>Net Non-Domestic Rate Income</b>	<b>42.458</b>	<b>42.169</b>
Adjustment for years prior to the introduction of the pool	(1.490)	(0.704)
Net contribution (to) / from National Non-Domestic Rate pool	0.156	(1.994)
<b>Net NDR Income</b>	<b>41.124</b>	<b>39.471</b>
Non Domestic Rates Income Retained (BRIS)	-	0.240
<b>Net NDR Income transferred to General Fund</b>	<b>41.124</b>	<b>39.711</b>

### 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 2019/20 was 51.6p for subjects with a rateable value above £51,000 and 49.0p for subjects with a rateable value equal to or less than £51,000.

North Ayrshire Council Rateable Values at 1 April 2019	£m
Commercial	78.017
Industrial and Freight Transport	31.216
Public Undertakings	4.396
Others	1.667
Less: Part Residential and Fishing Rights rateable values not billed for	(0.100)
<b>Total</b>	<b>115.196</b>

Analysis of Rateable Values	2019/20 £m
Rateable Value at 1 April 2019	115.196
Adjustments (Full Year Rateable Value)	(1.148)
<b>Rateable Value at 31 March 2020</b>	<b>114.048</b>
Less: Wholly Exempt Subjects	(1.080)
<b>Net Rateable Value at 31 March 2020</b>	<b>112.968</b>

# Supplementary Statements

## 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 their 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.

	2019/20 £m	2018/19 £m
Gross Council Tax levied and contributions in lieu	80.671	76.504
Adjustment for prior years Council Tax	0.757	0.644
	<b>81.428</b>	<b>77.148</b>
Adjusted for:		
Council Tax Reduction	(11.609)	(11.268)
Other discounts and reductions	(10.729)	(10.090)
Provision for Non-collection	(2.079)	(1.948)
	<b>(24.417)</b>	<b>(23.306)</b>
<b>Net Council Tax Income transferred to General Fund</b>	<b>57.011</b>	<b>53.842</b>

### North Ayrshire Council Tax per Band

Based on the Council Tax base available to North Ayrshire Council, the band D charge for 2019/20 was £1,280.70.

2018/19 £	Band	2019/20 £
814.77	A	853.80
950.56	B	996.10
1,086.36	C	1,138.40
1,222.16	D	1,280.70
1,605.78	E	1,682.69
1,986.01	F	2,081.13
2,393.39	G	2,508.03
2,994.29	H	3,137.71

## 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	Number of Exempt Dwellings	Disabled Relief	Discounts	Council Tax Reduction	Total Number of Dwellings	Ratio to Band D	2019/20 Band D Equivalent Dwellings	2018/19 Band D Equivalent Dwellings
Band A*			(50)	6	31	13	56%	7	9
Band A	21,720	1,110	(34)	3,398	6,497	10,749	67%	7,166	7,083
Band B	18,478	539	49	2,138	3,942	11,810	78%	9,186	9,080
Band C	7,131	208	(3)	889	844	5,193	89%	4,616	4,599
Band D	6,964	152	(48)	719	404	5,737	100%	5,737	5,625
Band E	8,951	118	52	726	278	7,777	131%	10,218	10,101
Band F	3,987	46	23	247	67	3,604	163%	5,857	5,800
Band G	1,207	20	9	66	15	1,097	196%	2,148	2,125
Band H	58	-	2	6	-	50	245%	123	123
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent								4	6
<b>Sub-total</b>						<b>46,030</b>		<b>45,062</b>	<b>44,551</b>
<b>Less</b> Bad Debt Provision at 3.5%								(1,577)	(1,559)
<b>Council Tax Base</b>								<b>43,485</b>	<b>42,992</b>

\* 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.

The 2018/19 figures have been restated to reflect changes in the service structure and does not change the Net Cost of Services reported for the year.

	2019/20			2018/19 (Restated)		
	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
Chief Executive and Democratic Services	3.747	0.617	4.364	3.866	0.406	4.272
Finance & Corporate Support	17.402	3.532	20.934	17.157	2.876	20.033
Communities	129.664	(4.212)	125.452	122.621	(3.639)	118.982
Place	61.333	43.845	105.178	65.042	41.495	106.537
Health and Social Care Partnership	97.973	6.344	104.317	95.169	2.994	98.163
Other Corporate Items	5.642	(5.776)	(0.134)	7.038	18.139	25.177
<b>Cost Of General Fund Services</b>	<b>315.761</b>	<b>44.350</b>	<b>360.111</b>	<b>310.893</b>	<b>62.271</b>	<b>373.164</b>
Housing Revenue Account	11.128	(19.120)	(7.992)	6.216	(9.916)	(3.700)
<b>Net Cost of Services</b>	<b>326.889</b>	<b>25.230</b>	<b>352.119</b>	<b>317.109</b>	<b>52.355</b>	<b>369.464</b>
Other Income and Expenditure	(328.565)	(17.882)	(346.447)	(309.615)	(8.878)	(318.493)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1.676)</b>	<b>7.348</b>	<b>5.672</b>	<b>7.494</b>	<b>43.477</b>	<b>50.971</b>
<b>General Fund and HRA Balance at 1 April</b>	<b>(44.276)</b>			<b>(46.862)</b>		
(Surplus) or Deficit on Provision of Services	(1.676)			7.494		
Transfers to/from Other Statutory Reserves	0.472			(4.908)		
<b>General Fund and HRA Balance at 31 March (Note 11)</b>	<b>(45.480)</b>			<b>(44.276)</b>		

For statutory accounting purposes, the undernoted 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	2019/20			
	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	-	0.624	(0.007)	0.617
Finance & Corporate Support	1.189	2.253	0.090	3.532
Communities	0.580	6.405	(11.197)	(4.212)
Place	35.953	8.810	(0.918)	43.845
Health and Social Care Partnership	0.029	9.144	(2.829)	6.344
Other Corporate Items	0.237	(7.487)	1.474	(5.776)
<b>Cost Of General Fund Services</b>	<b>37.988</b>	<b>19.749</b>	<b>(13.387)</b>	<b>44.350</b>
Housing Revenue Account	(19.434)	0.801	(0.487)	(19.120)
<b>Net Cost of Services</b>	<b>18.554</b>	<b>20.550</b>	<b>(13.874)</b>	<b>25.230</b>
Other Income and Expenditure from the Funding Analysis	(36.919)	4.919	14.118	(17.882)
<b>Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(18.365)</b>	<b>25.469</b>	<b>0.244</b>	<b>7.348</b>

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19 (Restated)			
	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	-	0.412	(0.006)	0.406
Finance & Corporate Support	1.153	1.691	0.032	2.876
Communities	0.106	3.229	(6.974)	(3.639)
Place	36.112	6.665	(1.282)	41.495
Health and Social Care Partnership	0.029	5.974	(3.009)	2.994
Other Corporate Items	1.847	14.272	2.020	18.139
<b>Cost Of General Fund Services</b>	<b>39.247</b>	<b>32.243</b>	<b>(9.219)</b>	<b>62.271</b>
Housing Revenue Account	(10.624)	1.139	(0.431)	(9.916)
<b>Net Cost of Services</b>	<b>28.623</b>	<b>33.382</b>	<b>(9.650)</b>	<b>52.355</b>
Other Income and Expenditure from the Funding Analysis	(21.741)	3.146	9.717	(8.878)
<b>Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>6.882</b>	<b>36.528</b>	<b>0.067</b>	<b>43.477</b>

## 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.

	2019/20 £m	2018/19 £m
<b>Expenditure</b>		
Employee Benefits Expenses	263.517	264.739
Other Service Expenses	322.135	326.530
Depreciation, Amortisation and Impairment	51.988	55.679
Interest Payments	48.110	48.377
Losses on Disposal of Assets	-	-
<b>Total Expenditure</b>	<b>685.750</b>	<b>695.325</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(285.521)	(277.484)
Gains on Disposal of Assets	(0.139)	(0.063)
Interest and Investment Income	(23.607)	(25.074)
Council Tax	(57.011)	(53.842)
Government Grants and Contributions	(313.800)	(287.891)
<b>Total Income</b>	<b>(680.078)</b>	<b>(644.354)</b>
<b>Deficit on the Provision of Services</b>	<b>5.672</b>	<b>50.971</b>

## Revenue from Contracts with Service Recipients

Income from service recipients is recognised as performance obligations are satisfied, normally as services are rendered or goods are provided. North Ayrshire Council has examined the revenue received from contracts with service recipients and has determined that the disclosure of Fees, Charges and Other Service Income provides sufficient information and there are no other material income factors requiring further disclosures. New income streams will be reviewed on an annual basis.

### Note 3: Other Operating Expenditure and Income

	2019/20 £m	2018/19 £m
(Gains)/losses on the disposal of non current assets	(0.139)	(0.063)
<b>Total</b>	<b>(0.139)</b>	<b>(0.063)</b>

### Note 4: Financing and Investment Income and Expenditure

	2019/20 £m	2018/19 £m
Interest payable and similar charges	19.667	20.435
Pensions interest cost and expected return on pensions assets	5.067	3.241
Interest receivable and similar income	(0.231)	(0.373)
<b>Total</b>	<b>24.503</b>	<b>23.303</b>

### Note 5: Material Items

The Comprehensive Income and Expenditure Statement (CIES) includes material items in relation to actuarial gains on the net pension liability (£102.295m) related to reduced inflation assumptions, resulting in a reduction in the value of pension liabilities, partly offset by a reduction in the return on Scheme assets, resulting in the change in the value of the pension assets.

### 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:

	2019/20 £m	2018/19 £m
Agency income from Scottish Water	(0.515)	(0.515)
Cost of Collection associated with this income	0.125	0.225

The Council also bills and collects Non Domestic Rates on behalf of the Scottish Government. During 2019/20 the Council collected £40.968m and received a further £0.156m from the National Non Domestic Rates Pool. (2018/19 : £41.705m and (£1.994m).

### 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:

	2019/20 £m	2018/19 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.303	0.297
<b>Total</b>	<b>0.303</b>	<b>0.297</b>

## Note 8: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20 £m	2018/19 £m
Credited to Taxation and Non Specific Grant Income		
General Revenue Grant	(233.566)	(228.387)
Council Tax	(57.011)	(53.842)
Non Domestic Rates	(41.124)	(39.711)
Capital Grants and Contributions	(39.110)	(19.793)
<b>Total</b>	<b>(370.811)</b>	<b>(341.733)</b>
Credited to Services		
Housing Benefit Funding	(41.895)	(46.459)
Health Resource Transfer	(23.381)	(23.189)
Early Years	(7.294)	(2.508)
Attainment Grant	(5.730)	(5.513)
Pupil Equity Fund	(4.657)	(5.886)
Criminal Justice Grant	(3.385)	(3.550)
Schools for the Future	(3.367)	(3.349)
Syrian Relocation / Unaccompanied Asylum Seekers	(0.790)	(0.633)
EMA & Activity Agreements	(0.647)	(0.732)
General Capital Grant	(0.612)	(0.549)
Benefit Admin Subsidy	(0.605)	(0.672)
Pipeline Grant	(0.566)	(0.602)
Tourism Grant	(0.395)	(0.095)
Sports Facilities Grant	(0.372)	(0.364)
Care Experienced Children & Young People	(0.268)	(0.332)
Skills Development Scotland	(0.253)	(0.245)
Paths for All	(0.247)	(0.147)
Equalities Unit Funding	(0.210)	(0.264)
Millport CARS	(0.186)	(0.023)
Creative Scotland Grants	(0.176)	(0.176)
Sustrans	(0.160)	(0.126)
European Regional Development Fund	(0.147)	(0.109)
Better Off North Ayrshire	(0.145)	(1.465)
Admin Grant	(0.141)	-
Poverty and Social Inclusion	(0.123)	(0.130)
No-One Left Behind	(0.100)	-
Severe winter weather grant	-	(0.213)
Community Link Workers	-	(0.125)
Technology bid grant	-	(0.100)
Other Minor Grants	(1.086)	(1.128)
<b>Total</b>	<b>(96.938)</b>	<b>(98.684)</b>

## 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:

	2019/20 £m	2018/19 £m
Not later than one year	0.099	0.099
Later than one year and not later than five years	0.046	0.088
	<b>0.145</b>	<b>0.187</b>

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

	2019/20 £m	2018/19 £m
Minimum Lease Payments	0.120	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 2019/20	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	31.584	15.024	-	<b>46.608</b>	(46.608)
Amortisation of intangible assets	0.385	-	-	<b>0.385</b>	(0.385)
Impairment of non current assets	6.019	(1.024)	-	<b>4.995</b>	(4.995)
Capital grants and contributions that have been applied to capital financing	(24.487)	(14.623)	-	<b>(39.110)</b>	39.110
(Gains)/losses on the disposal of non current assets	(0.113)	(0.026)	-	<b>(0.139)</b>	0.139
Statutory provision for the financing of capital investment	(12.319)	(3.268)	-	<b>(15.587)</b>	15.587
Capital expenditure charged against the General Fund and HRA balances	-	(15.517)	-	<b>(15.517)</b>	15.517
Adjustments involving the Capital Fund	-	-	(1.991)	<b>(1.991)</b>	1.991
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)	(0.315)	-	<b>(0.782)</b>	0.782
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	24.667	0.802	-	<b>25.469</b>	(25.469)
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	1.032	(0.006)	-	<b>1.026</b>	(1.026)
<b>Total Adjustments</b>	<b>26.301</b>	<b>(18.953)</b>	<b>(1.991)</b>	<b>5.357</b>	<b>(5.357)</b>

## Comparable Movements in 2018/19

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	-	<b>46.278</b>	(46.278)
Amortisation of intangible assets	0.427	-	-	<b>0.427</b>	(0.427)
Impairment of non-current assets	7.951	1.023	-	<b>8.974</b>	(8.974)
Capital grants and contributions that have been applied to capital financing	(10.121)	(9.672)	-	<b>(19.793)</b>	19.793
(Gain)/loss on the disposal of non-current assets	(0.055)	(0.008)	-	<b>(0.063)</b>	0.063
Statutory provision for the financing of capital investment	(11.382)	(2.393)	-	<b>(13.775)</b>	13.775
Capital expenditure charged against the General Fund and HRA balances	(0.183)	(14.983)	-	<b>(15.166)</b>	15.166
Adjustments involving the Capital Fund	-	-	2.031	<b>2.031</b>	(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)	-	<b>(0.781)</b>	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	-	<b>36.528</b>	(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	-	<b>0.848</b>	(0.848)
<b>Total Adjustments</b>	<b>53.252</b>	<b>(9.775)</b>	<b>2.031</b>	<b>45.508</b>	<b>(45.508)</b>

**Note 11: Transfers to/(from) Funds**

	31 March 2019 £m	Income £m	Expenditure £m	31 March 2020 £m	Purpose of Reserve
General Fund Balance unearmarked	6.933	2.726	-	9.659	The balance at 31 March 2020 represents 2.7% of budgeted expenditure.
Education DMR	0.447	0.341	(0.447)	0.341	The Devolved Management Scheme enables schools to carry forward balances to be utilised in future years.
Affordable Housing	3.418	1.111	(1.448)	3.081	This fund is ring-fenced to contribute towards the provision of new build social housing.
Loans Fund Reserve	6.210	3.179	-	9.389	This fund is earmarked to support borrowing linked to the Capital Investment Programme.
Earmarked Funds	12.041	3.643	(6.716)	8.968	This fund relates to various specific projects for which monies or funding have been identified prior to 31 March 2020, but spending plans exist relating to 2020/21 or beyond.
Change & Service Redesign Fund	2.804	0.970	(0.630)	3.144	This sum is earmarked for delivery of the Council's Change Programme.
Commonwealth / Legacy Fund	0.010	-	(0.010)	-	This sum is earmarked to support Commonwealth Games legacy and commemorative activities.
<b>General Fund Balance</b>	<b>31.863</b>	<b>11.970</b>	<b>(9.251)</b>	<b>34.582</b>	
Housing Revenue Account	12.413	2.203	(3.718)	10.898	The balance on the HRA includes £6.4m earmarked for new house building and £1.5m retained as contingency.
<b>HRA Balance</b>	<b>12.413</b>	<b>2.203</b>	<b>(3.718)</b>	<b>10.898</b>	
<b>Total General Fund and HRA Balances</b>	<b>44.276</b>	<b>14.173</b>	<b>(12.969)</b>	<b>45.480</b>	
Insurance Fund	2.613	0.634	(0.033)	3.214	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	6.638	0.052	(2.172)	4.518	The remaining balance has been earmarked to fund the 2020-2027 capital programme.
<b>Other Reserves</b>	<b>9.251</b>	<b>0.686</b>	<b>(2.205)</b>	<b>7.732</b>	
<b>Total Usable Reserves</b>	<b>53.527</b>	<b>14.859</b>	<b>(15.174)</b>	<b>53.212</b>	

## Note 12: Property, Plant and Equipment

### Movements in 2019/20:

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Infra-structure Assets £m	Community Assets £m	Surplus Assets £m	Assets under Construc-tion £m	Total £m	PPP/NPD Assets Included in P,P&E £m
<b>Cost or Valuation</b>									
Balance at 1 April 2019	438.356	447.187	40.819	131.584	2.978	6.953	45.594	1,113.471	109.475
Reclassification of Assets	12.615	8.131	0.498	-	0.404	(1.076)	(20.572)	-	-
Additions	24.165	3.827	1.126	0.044	0.619	-	41.018	70.799	-
Revaluations recognised in the Revaluation Reserve	(27.882)	(3.918)	-	-	-	0.044	-	(31.756)	-
Impairments recognised in the Net Cost of Services	-	(8.485)	-	-	-	(0.160)	-	(8.645)	-
Derecognition - Disposals	-	(0.788)	(1.790)	-	-	(0.004)	-	(2.582)	-
Assets reclassified (to)/from Held for Sale	-	(0.295)	-	-	-	-	-	(0.295)	-
Balance at 31 March 2020	447.254	445.659	40.653	131.628	4.001	5.757	66.040	1,140.992	109.475
<b>Accumulated Depreciation and Impairment</b>									
Balance at 1 April 2019	14.820	35.606	32.214	49.887	0.706	-	-	133.233	5.323
Reclassification of Assets	-	-	-	-	-	-	-	-	-
Depreciation Charge	14.928	23.827	3.262	4.396	0.193	0.003	-	46.609	5.323
Depreciation written out to the Revaluation Reserve	(28.724)	(12.037)	-	-	-	(0.003)	-	(40.764)	-
Depreciation written out to the Net Cost of Services	(1.024)	(2.696)	-	-	-	-	-	(3.720)	-
Derecognition - Disposals	-	(0.136)	(1.765)	-	-	-	-	(1.901)	-
Assets reclassified (to)/from Held for Sale	-	(0.013)	-	-	-	-	-	(0.013)	-
Balance at 31 March 2020	-	44.551	33.711	54.283	0.899	-	-	133.444	10.646
<b>Net Book Value</b>									
Balance at 31 March 2020	447.254	401.108	6.942	77.345	3.102	5.757	66.040	1,007.548	98.829
Balance at 31 March 2019	423.536	411.581	8.605	81.697	2.272	6.953	45.594	980.238	104.152

**Comparative Movements in 2018/19:**

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Infra-structure Assets £m	Community Assets £m	Surplus Assets £m	Assets under Construc-tion £m	Total £m	PPP/NPD Assets Included in P,P&E £m
<b>Cost or Valuation</b>									
<b>Balance at 1 April 2018</b>	<b>450.601</b>	<b>456.813</b>	<b>39.299</b>	<b>122.754</b>	<b>2.558</b>	<b>7.148</b>	<b>28.944</b>	<b>1,108.117</b>	<b>109.475</b>
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	<b>60.996</b>	-
Revaluations 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)/from Held for Sale	-	0.012	-	-	-	(0.027)	-	(0.015)	-
<b>Balance at 31 March 2019</b>	<b>438.356</b>	<b>447.187</b>	<b>40.819</b>	<b>131.584</b>	<b>2.978</b>	<b>6.953</b>	<b>45.594</b>	<b>1,113.471</b>	<b>109.475</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>Balance at 1 April 2018</b>	-	<b>16.414</b>	<b>31.144</b>	<b>45.251</b>	<b>0.569</b>	-	-	<b>93.378</b>	-
Reclassification of Assets	-	(0.185)	-	-	-	0.185	-	-	-
Depreciation Charge	14.820	23.115	3.324	4.636	0.137	0.274	-	<b>46.306</b>	<b>5.323</b>
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)/from Held for Sale	-	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2019</b>	<b>14.820</b>	<b>35.606</b>	<b>32.214</b>	<b>49.887</b>	<b>0.706</b>	-	-	<b>133.233</b>	<b>5.323</b>
<b>Net Book Value</b>									
<b>Balance at 31 March 2019</b>	<b>423.536</b>	<b>411.581</b>	<b>8.605</b>	<b>81.697</b>	<b>2.272</b>	<b>6.953</b>	<b>45.594</b>	<b>980.238</b>	<b>104.152</b>
<b>Balance at 31 March 2018</b>	<b>450.601</b>	<b>440.399</b>	<b>8.155</b>	<b>77.503</b>	<b>1.989</b>	<b>7.148</b>	<b>28.944</b>	<b>1,014.739</b>	<b>109.475</b>

### 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 2020 are as follows:

North Ayrshire Council	Fair Value as at 31 March 2020 £m	Fair Value as at 31 March 2019 £m
Land	5.680	6.875
Offices	0.077	0.078
<b>Total</b>	<b>5.757</b>	<b>6.953</b>

Fair values for the Investment Properties held by the Common Good and Trust Funds as at 31 March 2020 are as follows:

Common Good / Trusts	Fair Value as at 31 March 2020 £m	Fair Value as at 31 March 2019 £m
Land	1.168	1.257
Offices	0.770	0.855
Community use	0.279	0.273
<b>Total</b>	<b>2.217</b>	<b>2.385</b>

### Note 14: Assets Held for Sale

	2019/20 £m	2018/19 £m
Balance at 1 April	0.548	0.674
Assets newly classified as held for sale:		
Property, Plant and Equipment	0.282	0.015
Revaluations	(0.047)	0.903
Assets disposed of during the year	(0.043)	(1.044)
<b>Balance at 31 March</b>	<b>0.740</b>	<b>0.548</b>

### Note 15: 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. A valuation of the assets was planned to take place in 19/20 but due to COVID 19 was cancelled. This will be planned during 20/21 whenever it is practical to do so.

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
<b>Balance at 1 April 2019</b>	<b>0.591</b>	<b>0.139</b>	<b>0.420</b>	<b>0.177</b>	<b>1.327</b>
Movement in Year	-	-	-	-	-
<b>Balance at 31 March 2020</b>	<b>0.591</b>	<b>0.139</b>	<b>0.420</b>	<b>0.177</b>	<b>1.327</b>

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

#### Note 16: 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 previously recognised the purchase of carbon allowances as a current or short term intangible asset. The Carbon Reduction Commitment scheme came to an end during 2018/19 and as a result all remaining allowances were surrendered during 2019/20.



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

Long Term Intangible Assets	2019/20 £m	2018/19 £m
Balance at start of year:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(3.705)	(3.278)
<b>Net carrying amount at start of year</b>	<b>0.922</b>	<b>1.349</b>
Amortisation for the period	(0.385)	(0.427)
<b>Net carrying amount at end of year</b>	<b>0.537</b>	<b>0.922</b>
Comprising:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.090)	(3.705)
	<b>0.537</b>	<b>0.922</b>
Short Term Intangible Assets	2019/20 £m	2018/19 £m
Net carrying amount at start of year	0.252	0.462
Additions	-	0.052
Amortisation for the Period	(0.252)	(0.262)
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>0.252</b>

#### 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 (see Note 19).

	2019/20		2018/19	
	General Fund £m	HRA £m	General Fund £m	HRA £m
<b>Opening Capital Financing Requirement</b>	<b>187.368</b>	<b>120.312</b>	<b>174.869</b>	<b>118.402</b>
<b>Capital investment</b>				
Property, Plant and Equipment	33.039	-	32.006	-
Intangible Assets	-	-	-	-
Council Dwellings	-	37.759	-	28.990
	<b>33.039</b>	<b>37.759</b>	<b>32.006</b>	<b>28.990</b>
<b>Sources of finance</b>				
Sale of other Assets	0.754	0.109	0.129	0.032
Grants and other contributions	24.487	14.623	10.121	9.672
Contribution from Reserves	1.991	-	0.268	-
Direct revenue contributions	-	15.517	0.183	14.983
Loans Fund Principal	8.279	3.268	8.806	2.393
	<b>35.511</b>	<b>33.517</b>	<b>19.507</b>	<b>27.080</b>
<b>Closing Capital Financing Requirement</b>	<b>184.896</b>	<b>124.554</b>	<b>187.368</b>	<b>120.312</b>

## Depreciation

As highlighted in Note 42: Accounting Policies, under Property, Plant and Equipment on pages 95 to 97, 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	24-26	District Valuer	Existing Use Value for Social Housing 'Beacon Principle'	31/03/2020
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	Internal 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	31/03/2020
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	20	n/a	Historical Cost	n/a

## Commitments under capital contracts

At 31 March 2020, the Council has approved capital investment programmes for both General Services and the Housing Revenue Account, for construction or enhancement of Property, Plant and Equipment. Contractual commitments in place at 31 March 2020 totalled £75.535m as follows (2018/19 : £52.606m):

Capital Commitments	At 31 March 2020
General Services Programme - Major Projects	£m
New Build ASN School and Residential & Respite Unit	21.738
Ardrossan North Shore & Gas Works	1.175
Annick Primary	1.163
Vehicles	0.817
St Peters Early Years	0.634
Access Paths	0.617
Other General Services Capital Commitments	2.941
<b>Total General Services Contractual Commitment</b>	<b>29.085</b>

HRA Programme	£m
Lot A Flatt Road, Largs	11.542
Lot B Towerlands, Irvine	6.551
Lot B Brathwic, Isle of Arran	5.745
Dalrymple Place, Irvine	4.915
Lot A St Colms, Largs	4.728
Lot B St Beya, Millport	2.545
Friars Lawn, Kilwinning	1.925
Lot B Springvale, Saltcoats	1.824
Detection equipment	1.627
High Flats, Saltcoats	1.534
Garrier Court, Springside	1.458
Watt Court, Dalry	0.587
Other HRA Capital Commitments	1.469
<b>Total HRA Contractual Commitment</b>	<b>46.450</b>

## Note 18: Long Term Debtors

	2019/20 £m	2018/19 £m
North Ayrshire Ventures Trust	0.502	0.690
Advances for House Purchases	0.147	0.147
Car Loans	-	0.003
Leisure Loans	-	0.006
<b>Total</b>	<b>0.649</b>	<b>0.846</b>

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

### *North Ayrshire Council Schools PPP Contract*

2019/20 was the thirteenth 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. These are 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, will be transferred to North Ayrshire Council at the end of the contract 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*

2019/20 was the second year for Largs Campus. This campus was procured through a 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, will be transferred to North Ayrshire Council at the end of the contract 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 2020 (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 2020/21	5.834	3.582	5.923	1.304	16.643
Payable within two to five years	26.047	15.305	21.690	6.205	69.247
Payable within six to ten years	36.551	23.457	21.927	11.156	93.091
Payable within eleven to fifteen years	40.633	30.002	14.509	16.093	101.237
Payable within sixteen to twenty years	24.753	27.769	4.872	16.807	74.201
Payable within twenty one to twenty five years	3.914	6.897	0.546	2.252	13.609
<b>Total</b>	<b>137.732</b>	<b>107.012</b>	<b>69.467</b>	<b>53.817</b>	<b>368.028</b>

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:

	2019/20 £m	2018/19 £m
Balance outstanding at 1 April	111.053	113.620
Payments during the year	(4.041)	(2.567)
<b>Balance outstanding at 31 March</b>	<b>107.012</b>	<b>111.053</b>

## Note 20: Financial Instruments

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

	Category:	Long Term		Current		Total	
		31/03/20 £m	31/03/19 £m	31/03/20 £m	31/03/19 £m	31/03/20 £m	31/03/19 £m
Loans and receivables:							
Cash (including bank)	Amortised Cost	-	-	9.657	16.858	9.657	16.858
Bank overdraft	Amortised Cost	-	-	(3.880)	(2.306)	(3.880)	(2.306)
<b>Cash and cash equivalents</b>		<b>-</b>	<b>-</b>	<b>5.777</b>	<b>14.552</b>	<b>5.777</b>	<b>14.552</b>
Short Term Investments	Amortised Cost	-	-	30.031	5.028	30.031	5.028
Investments	Group Entity	0.350	0.350	-	-	0.350	0.350
Debtors	Amortised Cost	0.649	0.846	42.913	41.667	43.562	42.513
<b>Total Financial Assets</b>		<b>0.999</b>	<b>1.196</b>	<b>78.721</b>	<b>61.247</b>	<b>79.720</b>	<b>62.443</b>
Loans at amortised cost:							
Principal sums	Amortised Cost	197.556	189.108	89.565	74.107	287.121	263.215
Accrued interest	Amortised Cost	-	-	1.154	1.150	1.154	1.150
Effective Interest Rate adjustment	Amortised Cost	0.836	0.831	-	-	0.836	0.831
<b>Total borrowing</b>		<b>198.392</b>	<b>189.939</b>	<b>90.719</b>	<b>75.257</b>	<b>289.111</b>	<b>265.196</b>
Trade payables	Amortised Cost	-	-	61.937	65.853	61.937	65.853
PPP/NPD liabilities	Amortised Cost	-	-	3.582	3.156	3.582	3.156
<b>Short-term creditors</b>		<b>-</b>	<b>-</b>	<b>65.519</b>	<b>69.009</b>	<b>65.519</b>	<b>69.009</b>
PPP/NPD liabilities	Amortised Cost	103.431	107.897	-	-	103.431	107.897
<b>Total Financial Liabilities</b>		<b>301.823</b>	<b>297.836</b>	<b>156.238</b>	<b>144.266</b>	<b>458.061</b>	<b>442.102</b>

## 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.

### 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 37.

### 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. 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".

	2019/20 £m	2018/19 £m
Value at 1 April	0.909	1.050
Amounts repaid to the Council	(0.219)	(0.215)
Fair value adjustments	0.035	0.074
<b>Value at 31 March</b>	<b>0.725</b>	<b>0.909</b>

## 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 2020		At 31 March 2019	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
PWLB Debt	202.365	320.677	174.603	288.329
Non-PWLB Debt	161.063	252.218	166.316	257.596
Temporary Loans	32.696	32.696	35.330	35.330
<b>Total Debt</b>	<b>396.124</b>	<b>605.591</b>	<b>376.249</b>	<b>581.255</b>
Trade Creditors	61.937	61.937	65.853	65.853
<b>Total Liabilities</b>	<b>458.061</b>	<b>667.528</b>	<b>442.102</b>	<b>647.108</b>

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 2020		At 31 March 2019	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Cash and Cash Equivalents	5.777	5.777	14.552	14.552
Short Term Deposits < 1 year	30.031	30.031	5.028	5.028
Trade Debtors	43.562	43.677	42.513	42.593
<b>Total Assets</b>	<b>79.370</b>	<b>79.485</b>	<b>62.093</b>	<b>62.173</b>

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:

	2019/20			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
Interest expense	(20.449)	-	(20.449)	(21.216)	-	(21.216)
Losses on derecognition	0.782	-	0.782	0.781	-	0.781
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(19.667)</b>	-	<b>(19.667)</b>	<b>(20.435)</b>	-	<b>(20.435)</b>
Interest income	-	0.231	0.231	-	0.373	0.373
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	0.231	0.231	-	0.373	0.373
<b>Net gain/(loss) for the year</b>	<b>(19.667)</b>	0.231	<b>(19.436)</b>	<b>(20.435)</b>	0.373	<b>(20.062)</b>

## 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. A copy of the Strategy can be found on the Council's website at [www.north-ayrshire.gov.uk](http://www.north-ayrshire.gov.uk) under Council>Performance and Spending>Budgets and Finance

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 2019/20 was approved by North Ayrshire Council on 27 February 2019.

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 2020 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 debtors, 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:

	2019/20			2018/19		
	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - simplified approach	Total	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - simplified approach	Total
	£m	£m	£m	£m	£m	£m
Balance as at 1 April	1.536	5.064	6.600	0.800	4.624	5.424
Changes due to modifications which did not result in derecognition	0.789	0.381	1.170	0.736	0.440	1.176
<b>As at 31 March 2019</b>	<b>2.325</b>	<b>5.445</b>	<b>7.770</b>	<b>1.536</b>	<b>5.064</b>	<b>6.600</b>

During the year the Council wrote off financial assets with a contractual amount outstanding of £0.060m (£0.310m 2018/19) which are still subject to enforcement activity.

### Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2020:

	Credit Risk Rating	Gross Carrying Amount at 31 March	Gross Carrying Amount at 31 March
		2020 £m	2019 £m
Lifetime expected credit losses	Internal Assessment	5.293	5.139
Simplified approach	Historic Experience	39.740	38.581
		<b>45.033</b>	<b>43.720</b>

### 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 27 February 2019):

Loans Outstanding	At 31 March 2020 £m	At 31 March 2020 %	Approved Upper Limit %	Approved Lower Limit %	At 31 March 2019 £m
Less than one year	93.147	24%	40%	0%	77.264
Between one and two years	6.690	2%	25%	0%	19.632
Between two and five years	20.536	5%	50%	0%	14.287
Between five and ten years	44.140	11%	75%	0%	33.745
More than ten years	229.621	58%	90%	25%	229.340
<b>Total</b>	<b>394.134</b>				<b>374.268</b>
Public Works Loan Board	201.830				174.135
Market Debt / LOBOs	52.663				53.881
Temporary borrowing	32.628				35.199
PPP/NPD Liabilities	107.013				111.053
<b>Total</b>	<b>394.134</b>				<b>374.268</b>

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 2019/20 these limits were £372.2m of total borrowing on fixed rate borrowing and £60.0m for variable rate borrowing.

At 31 March 2020, £228.5m of principal borrowing was exposed to fixed rates and £51.0m 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 2020 £m
<b>Impact on tax-payers &amp; rent-payers</b>	
Increase on interest payable on variable rate borrowings	0.390
Increase in interest receivable on variable rate investments	-
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0.390</b>
<b>Share of overall impact debited to the HRA</b>	<b>0.157</b>
Decrease in fair value of fixed rate investment assets	(0.007)
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(0.007)</b>
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)	(47.025)

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 2020, the Council held no foreign currency funds.

#### Note 22: Debtors for Local Taxation

	2019/20		2018/19	
	Council Tax £m	NDR £m	Council Tax £m	NDR £m
Less than 1 year	2.606	0.043	2.093	-
1 to 2 years	1.392	0.020	1.138	-
2 to 5 years	1.486	-	1.386	-
More than 5 years	0.104	-	-	-
<b>Total</b>	<b>5.588</b>	<b>0.063</b>	<b>4.617</b>	<b>-</b>

### Note 23: Inventories

	2019/20				2018/19
	Balance at 1 April £m	Purchases £m	Recognised as an expense £m	Balance at 31 March £m	Balance at 31 March £m
<b>Consumables</b>					
Catering	0.156	2.430	(2.464)	0.122	0.156
StreetScene & Waste	0.112	0.118	(0.129)	0.101	0.112
Transport Fuel	0.049	1.767	(1.720)	0.096	0.049
Other	0.001	0.001	(0.001)	0.001	0.001
<b>Maintenance Materials</b>					
Building Services	0.343	4.669	(4.413)	0.599	0.343
Roads	0.203	0.405	(0.387)	0.221	0.203
<b>Total</b>	<b>0.864</b>	<b>9.390</b>	<b>(9.114)</b>	<b>1.140</b>	<b>0.864</b>

### Note 24: Short Term Debtors

	2019/20 £m	2018/19 (restated) £m
Trade Receivables	12.148	12.499
Prepayments	2.763	2.032
Other Receivable Amounts	28.002	27.136
<b>Total</b>	<b>42.913</b>	<b>41.667</b>

2018/19 figures have been restated following a review of the reporting categories. Total Short Term Debtors remains unchanged.

### Note 25: Short Term Borrowing

	2019/20 £m	2018/19 £m
North Ayrshire Municipal Bank Ltd	(0.038)	(0.038)
PWLB	(18.423)	(12.327)
Market Debt / LOBOs / Other Local Authorities	(72.258)	(62.892)
<b>Total</b>	<b>(90.719)</b>	<b>(75.257)</b>

### Note 26: Short Term Creditors

	2019/20 £m	2018/19 (restated) £m
Trade Payables	(23.903)	(29.948)
Other Payables	(41.616)	(39.061)
<b>Total</b>	<b>(65.519)</b>	<b>(69.009)</b>

2018/19 figures have been restated following a review of the reporting categories. Total Short Term Creditors remains unchanged.



## Note 27: Provisions

	Equal Pay / Single Status £m	Termination Benefits £m	Landfill Site Restoration £m	Employee Costs - Paid Absences £m	Teachers Maternity £m	Former Authorities £m	Develop- ment Costs £m	Total £m
<b>Balance at 1 April 2019</b>	(0.183)	(0.790)	(0.850)	(0.108)	-	(0.093)	(1.044)	(3.068)
Additional provisions made in 2019/20	-	(0.545)	(0.023)	(0.064)	(0.122)	(0.040)	(0.497)	(1.291)
Amounts written off in 2019/20	-	-	0.178	-	-	-	0.656	0.834
Amounts used in 2019/20	0.036	0.790	-	-	-	-	-	0.826
<b>Balance at 31 March 2020</b>	<b>(0.147)</b>	<b>(0.545)</b>	<b>(0.695)</b>	<b>(0.172)</b>	<b>(0.122)</b>	<b>(0.133)</b>	<b>(0.885)</b>	<b>(2.699)</b>

### Equal Pay/Single Status

In 2014/15 a provision of £2.867m was made in respect of Equal Pay and Single Status. During 2019/20 £0.036m of the provision was utilised. As at 31 March 2020 the level of provision required is £0.147m. The timing of the settlement of these claims is uncertain.

### Termination Benefits

In 2019/20 a provision of £0.545m was required in relation to employee retiral commitments the Council had in place at 31 March 2020. These liabilities are expected to be discharged during 2020/21.

### Landfill Site Restoration

This provision relates to the Council's landfill site at Shewalton in Irvine. During 2019/20 £0.178m was released for aftercare costs. The increase in the provision for the unwinding of the discount was also recognised as an interest charge of £0.023m. These liabilities are expected to be discharged over the period to 2023/24.

### 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 2020. These liabilities are expected to be discharged during 2020/21.

### Teachers Maternity

The Council holds a provision of £0.122m in respect of teacher's holidays accrued while on maternity leave, which is a reduction of £0.013m from the opening balance of £0.135m, which was previously held within creditors. These liabilities are expected to be discharged during 2020/21.

### 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. The timing of the settlement of these claims is uncertain.

### Development Costs

This provision relates to estimated abnormal development costs in relation to Council House development sites. The provision relating to Flatt Road development has been released and offset against the costs which have been incurred in 2019/20. In addition to this the provision in relation to the development at Harbourside, Irvine has been increased by £0.497m due to increased cost estimates for abnormal site conditions. These liabilities are expected to be discharged during 2020/21.

## **Note 28: 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 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 2019/20, the Council recognised £12.207m in respect of teachers' retirement benefits, representing 20.17% of pensionable pay. The figures for 2018/19 were £9.561m and 16.76%. There were no contributions remaining payable at the year-end. The estimated contribution for 2020/21 is £13.047m. As a proportion of the total contributions into the Scheme during the year to 31 March 2020, North Ayrshire Council's contribution equates to approximately 2.78%.

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 29. There were no additional costs included for 2019/20.

## **Note 29: 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 Pension 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:

Local Government Pension Scheme Comprehensive Income & Expenditure Statement	2019/20 £m	2018/19 £m
Cost of Services:		
Current service cost	49.921	40.980
Past service cost (including curtailments)	(5.859)	16.557
Financing and Investment Income and Expenditure:		
Net interest expense	5.067	3.242
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>49.129</b>	<b>60.779</b>
Other Post Employment Benefit Charged to the CIES:		
Expected return on pension fund assets (excluding amounts included in net interest)	64.908	(29.661)
Actuarial (gains) / losses arising on changes in financial assumptions	(167.203)	87.918
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(53.166)</b>	<b>119.036</b>
Movement in Reserves Statement:		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	76.826	(94.785)
<b>Contributions from employer payable to scheme</b>	<b>23.660</b>	<b>24.251</b>

### Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2019/20 £m	2018/19 £m
Present value of the defined benefit obligation	(1,059.492)	(1,172.940)
Fair value of plan assets	937.376	973.998
<b>Net liability arising from defined benefit obligation</b>	<b>(122.116)</b>	<b>(198.942)</b>

### 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:

	2019/20 £m	2018/19 £m
Balance as at 1 April	(1,172.940)	(1,019.025)
Current service cost	(49.921)	(40.980)
Interest cost	(28.443)	(27.942)
Contributions by scheme participants	(6.745)	(6.244)
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising on changes in financial assumptions	121.927	(85.719)
Changes in demographic assumptions	39.402	-
Other experience	5.874	(2.199)
Past service cost (including curtailments)	5.859	(16.557)
Benefits paid	25.495	25.726
<b>Balance as at 31 March</b>	<b>(1,059.492)</b>	<b>(1,172.940)</b>

## 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:

	2019/20 £m	2018/19 £m
Balance as at 1 April	973.998	914.868
Interest income	23.376	24.700
Re-measurement gains and (losses):		
Return on plan assets excluding amounts included in net interest	(64.908)	29.661
Contributions from employer payable to the scheme	23.660	24.251
Contributions by scheme participants	6.745	6.244
Benefits paid	(25.495)	(25.726)
<b>Balance as at 31 March</b>	<b>937.376</b>	<b>973.998</b>

## Analysis of Pension Fund's Assets

North Ayrshire Council's share of the Pension Fund assets as at 31 March 2020 comprised:

Portfolio Composition	2019/20				2018/19			
	Quoted Prices in Active Markets £m	Quoted Prices not in Active Markets £m	Total £m	%	Quoted Prices in Active Markets £m	Quoted Prices not in Active Markets £m	Total £m	%
Equity Investments	523.921	92.378	616.299	66%	544.390	95.988	640.378	66%
Debt Instruments	29.412	112.013	141.425	15%	30.561	116.389	146.950	15%
Property	-	84.871	84.871	9%	-	88.186	88.186	9%
Derivatives	0.019	-	0.019	0%	0.020	-	0.020	0%
Cash	48.256	46.506	94.762	10%	50.141	48.323	98.464	10%
<b>Balance as at 31 March</b>	<b>601.608</b>	<b>335.768</b>	<b>937.376</b>	<b>100%</b>	<b>625.112</b>	<b>348.886</b>	<b>973.998</b>	<b>100%</b>

## 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 2020/21.

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 2021 at £21.456m, compared to estimated contributions for 2019/20 of £20.074m.

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 2020 based on a range of assumptions.

The significant assumptions used by the actuary were:

Local Government Pension Scheme Assumptions	At 31 March 2020	At 31 March 2019
Long term expected rate of return on assets in the scheme:		
Equity investments	2.3%	2.4%
Bonds	2.3%	2.4%
Other	2.3%	2.4%
Cash	2.3%	2.4%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
Men	20.7	21.4
Women	22.9	23.7
Longevity at 65 for future pensioners:		
Men	22.2	23.4
Women	24.6	25.8
Rate of inflation	1.9%	2.5%
Rate of increase in salaries	3.0%	3.7%
Rate of increase in pensions	1.9%	2.5%
Rate for discounting scheme liabilities	2.3%	2.4%
Take up of option to convert annual pension into retirement lump sum		
- for pre April 2009 service	50%	50%
- for post April 2009 service	75%	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	104.493	10.0%
0.5% increase in the Salary Increase Rate	18.100	2.0%
0.5% increase in the Pension Increase Rate	84.765	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, regulatory changes in relation to Guaranteed Minimum Pension provision and a recent employment tribunal decision in relation to survivor benefits.

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 for members in service in 2012, and remaining in active service at the time of the scheme change in 2015, 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 0.9% increase in active member liabilities at 31 March 2020, equating to increased liabilities of £5.465m 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.

Following a Supreme Court ruling in 2017, all public service pension schemes were required to provide equal survivor benefits for same-sex couples to that provided for widows. Following a recent employment tribunal decision, a Written Ministerial Statement has concluded that female members in opposite sex marriages are treated less favourably than female members in same sex marriage or civil partnership and it is anticipated that regulatory amendments will now need to be made to extend equal survivor benefits to male survivors of female members resulting in additional liabilities for female members who died on or after 5 December 2005.

The estimated liabilities of the Scheme have been updated resulting in increased liabilities of £0.778m for North Ayrshire Council.

## Note 30: Unusable Reserves

	2019/20 £m	2018/19 £m
Revaluation Reserve	118.216	117.993
Capital Adjustment Account	475.133	445.969
Financial Instruments Adjustment Account	(7.551)	(8.333)
Pensions Reserve	(122.116)	(198.942)
Accumulated Absences Account	(8.758)	(7.732)
<b>Total Unusable Reserves</b>	<b>454.924</b>	<b>348.955</b>

### 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.

	2019/20 £m	2018/19 £m
Balance at 1 April	117.993	170.784
Surplus or (deficit) on revaluation of non-current assets posted to the CIES	9.031	(37.973)
Difference between fair value depreciation and historical cost depreciation	(8.484)	(11.076)
Amount written off to the Capital Adjustment Account	(0.324)	(3.742)
<b>Balance at 31 March</b>	<b>118.216</b>	<b>117.993</b>

### Capital Adjustment Account

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

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the 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.

	2019/20 £m	2018/19 £m
Balance at 1 April	445.969	440.064
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	(51.988)	(55.679)
Gains/(losses) on the disposal of non current assets	0.139	0.063
Adjusting amounts written out of the Revaluation Reserve	8.808	14.818
Capital financing applied in the year:		
Adjustments involving the Capital Fund	1.991	(2.031)
Capital grants and contributions credited to the CIES that have been applied to capital financing	39.110	19.793
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	15.587	13.775
Capital expenditure charged against the General Fund and HRA balances	15.517	15.166
<b>Balance at 31 March</b>	<b>475.133</b>	<b>445.969</b>

### 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.

	2019/20 £m	2018/19 £m
Balance at 1 April	(8.333)	(9.114)
Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.777	0.776
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	0.005
<b>Balance at 31 March</b>	<b>(7.551)</b>	<b>(8.333)</b>

### 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.

	2019/20 £m	2018/19 £m
Balance at 1 April	(198.942)	(104.157)
Actuarial gains/(losses) on pensions assets and liabilities	102.295	(58.257)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(25.469)	(36.528)
<b>Balance at 31 March</b>	<b>(122.116)</b>	<b>(198.942)</b>

### 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.

	2019/20 £m	2018/19 £m
Balance at 1 April	(7.732)	(6.884)
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	(1.026)	(0.848)
<b>Balance at 31 March</b>	<b>(8.758)</b>	<b>(7.732)</b>

### Note 31: 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 2019/20 is shown in the Remuneration Report. During 2019/20 payment to voluntary organisations/charities to the value of £0.123m 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 holds a position of Director in North Ayrshire Ventures Trust. The Director of Growth & Investment holds a position of Director in Ardrossan North Shore LLP and the Interim Director of Communities holds a position of Director in North Ayrshire Ventures Trust. There is no remuneration associated with these positions. Details of the Council's interests in these organisations are outlined in the Notes to the Group Accounts at Note 38 on page 84.

## 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 2019/20 the following North Ayrshire Council financial transactions were made with North Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2019/20 £m	2018/19 £m
Contribution made to North Ayrshire IJB	97.973	95.169
Commissioning income received from North Ayrshire IJB	122.113	117.023
North Ayrshire IJB balance due (to)/from the Council	0.154	(0.668)

The balance due (to)/from the Council reflects the year end variance on health and social care activities. For 2019/20 expenditure exceeded income by £0.154m which has been added to the outstanding IJB deficit, which now stands at £5.293m.

## 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 2019/20 as follows:

- Ayrshire & Arran Health Board (Health Resource Transfer) – grants and income of £23.381m

## 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 38.

## Note 32: Contingent Liabilities

At 31 March 2020, the Council had identified five 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) Act 2017 received royal assent on 28 July 2017. The principal effect of the legislation is to remove the three year time bar on survivors of abuse bringing forward claims for compensation. This would apply for all claims 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 33: Events after the Balance Sheet Date

The unaudited accounts were authorised for issuing on 29 June 2020 by the Head of Finance. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the events in relation to the Covid-19 pandemic which have taken place since 31 March 2020 as these provide information which is relevant to an understanding of the Council's financial position and future risks but does not relate to conditions at that date.

Although the Scottish Government's response to the Covid-19 pandemic, including the lockdown requirements, came into force during the final week of March 2020, the impact of these requirements on North Ayrshire Council and the people of North Ayrshire has yet to be fully quantified.

The financial impacts on North Ayrshire Council have included the costs of the immediate mobilisation and response to the lockdown measures together with ongoing costs and other effects which will only be fully quantifiable as the route map to recovery and renewal is put into action.

The projected costs from the local government mobilisation, loss of income and other costs to 31 March 2021 are currently estimated at £22.0m. These costs have been partly offset by additional Scottish Government unhypothecated funding of £6.5m. The resultant net additional costs of £15.5m will be addressed in line with North Ayrshire Council's agreed Financial Recovery Plan which has identified the utilisation of additional flexibility in relation to ringfenced funding, particularly in the area of children's services, the application of Council reserves and a review of planned capital expenditure as the key factors in mitigating the additional costs.

In addition to the direct costs, it is anticipated that there will be significant increases in demand for services as a result of the predicted economic downturn following the pandemic and this will result in further risks to the finances of the Council in the future. The effects of this unplanned expenditure on priority services may result in adverse impacts on other services and on the priority outcomes detailed in the Council Plan 2019 – 2024, which may be subject to change.

#### **Note 34: Cash Flow – Operating Activities**

<b>Net cash flow from Operating Activities</b>	<b>2019/20 £m</b>	<b>2018/19 £m</b>
Net cash inflow from revenue activities	(44.896)	(43.148)
Interest received	(0.231)	(0.373)
Interest paid	19.436	20.062
<b>Total</b>	<b>(25.691)</b>	<b>(23.459)</b>

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

<b>Non-cash Movements</b>	<b>2019/20 £m</b>	<b>2018/19 £m</b>
Depreciation and Impairment	(51.603)	(55.252)
Amortisation	(0.385)	(0.427)
Movement in Pension Liability	(25.469)	(36.528)
(Decrease) / Increase in Inventories	0.276	(0.123)
(Decrease) / Increase in Debtors	2.640	3.067
Decrease / (Increase) in Bad Debt Provision	(1.843)	(1.554)
Decrease / (Increase) in Creditors	5.403	(4.731)
Carrying amount of non current assets sold	(0.724)	(2.398)
Other non cash items charged to the net surplus or deficit on the provision of services	0.369	1.262
<b>Total</b>	<b>(71.336)</b>	<b>(96.684)</b>

<b>Investing and Financing activities</b>	<b>2019/20 £m</b>	<b>2018/19 £m</b>
Proceeds from sale of non current assets	0.863	2.461
Capital Grants	39.110	19.793
<b>Total</b>	<b>39.973</b>	<b>22.254</b>

### Note 35: Cash Flow – Investing Activities

Net cash flow from Investing Activities	2019/20 £m	2018/19 £m
Purchase of property, plant and equipment, investment property and intangible assets	70.798	60.996
Purchase of Short Term and Long Term Investments	25.003	5.028
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.863)	(2.461)
Other receipts from investing activities	(39.110)	(19.793)
<b>Total</b>	<b>55.828</b>	<b>43.770</b>

### Note 36: Cash Flow – Financing Activities

Net cash flow from Financing Activities	2019/20 £m	2018/19 £m
Cash receipts of short term and long term borrowing	(87.500)	(73.100)
Cash payments for the reduction of the outstanding liabilities relating to PPP/NPD contracts	2.553	2.263
Repayments of short and long term borrowing	63.585	56.243
<b>Total</b>	<b>(21.362)</b>	<b>(14.594)</b>

### Note 37: Cash Flow – Cash and Cash Equivalents

Cash and cash equivalents	2019/20 £m	2018/19 £m
Cash held by officers	0.007	0.008
Bank current accounts	(3.880)	(2.306)
Short-term deposits	9.650	16.850
<b>Total</b>	<b>5.777</b>	<b>14.552</b>

### Note 38: Notes to the Group Accounts

The Code of Practice on Local Council Accounting in the United Kingdom 2019/20 (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 42, 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.

## Property, Plant and Equipment

### 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.

Group Property, Plant and Equipment values included within the Group Balance Sheet on Page 40 are as follows:

	Common Good £m	Trust Funds £m	NAVT £m	2019/20 £m	Common Good £m	Trust Funds £m	NAVT £m	2018/19 £m
<b>Cost or Valuation</b>								
<b>Balance at 1st April</b>	<b>2.235</b>	<b>0.150</b>	<b>2.596</b>	<b>4.981</b>	<b>2.205</b>	<b>0.150</b>	<b>3.313</b>	<b>5.668</b>
Revaluations increases / decreases recognised in the Revaluation Reserve	(0.163)	(0.005)	-	(0.168)	0.030	-	-	0.030
Impairments recognised in the Net Cost of Services	-	-	(0.723)	(0.723)	-	-	(0.517)	(0.517)
Derecognition - Disposals	-	-	(0.020)	(0.020)	-	-	(0.200)	(0.200)
<b>Balance at 31 March</b>	<b>2.072</b>	<b>0.145</b>	<b>1.853</b>	<b>4.070</b>	<b>2.235</b>	<b>0.150</b>	<b>2.596</b>	<b>4.981</b>

### 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 SPT 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 38 includes net comprehensive expenditure for the year of £1.447m.

The Group Balance Sheet on page 40 includes net assets of £12.535m in relation to these bodies.

Further details for each entity are as follows:

Subsidiary	Nature of Body	Accounts available from
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	To award community grants across North Ayrshire	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE

	% Share	2019/20				2018/19			
		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%	4.141	-	(0.157)	(0.022)	4.229	-	(0.144)	0.031
Trust Funds	100%	0.509	-	(0.018)	0.008	0.522	-	(0.017)	0.120
North Ayrshire Ventures Trust	100%	8.580	(0.695)	(0.506)	1.305	10.107	(0.876)	(0.577)	1.430

### 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 38 includes net comprehensive income for the year of £6.354m.

The Group Balance Sheet on page 40 includes net assets of £26.316m 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. 64.92% 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,
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	2019/20				2018/19			
		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	35.1%	0.558	(0.884)	(2.965)	0.460	0.578	(1.633)	(2.887)	0.220
Strathclyde Partnership for Transport	6.1%	27.477	(1.474)	(7.264)	(3.838)	26.843	(6.066)	(4.173)	(0.770)
Strathclyde Concessionary Travel Scheme Joint Board	7.1%	0.130	(0.079)	(0.287)	0.038	0.142	(0.058)	(0.273)	0.019
Ayrshire Valuation Joint Board	36.3%	0.638	(0.050)	(0.884)	0.108	0.416	(0.260)	(0.839)	0.192



### 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 38 includes net comprehensive expenditure for the year of £0.100m. 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 40 includes net liabilities of £1.615m 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	2019/20				2018/19			
		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%	0.104	(2.647)	(142.615)	0.112	0.142	(2.573)	(134.578)	(0.473)
Ardrossan North Shore LLP	50%	0.939	(0.010)	(0.001)	0.001	0.928	(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 Limited £m	Strathclyde Partnership for Transport £m	Strathclyde Concessionary Travel Scheme Joint Board £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	-	26.003	0.051	0.588	-	0.929	27.571
Liability in Associates and Joint Ventures	(0.326)	-	-	-	(2.543)	-	(2.869)

### Non-material interests in other entities

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

### Note 39: 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 2020 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 £84.765m. However, the assumptions interact in complex ways.
Collection Levels of Arrears	At 31 March 2020, the Council had a balance of trade debtors of £18.123m. A review of significant balances suggested that an allowance for potential impairment losses of 22% (£4.077m) 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 10% increase in the amount of potential impairment losses would require an additional amount of £0.408m 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.	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 properties including Council houses would increase by £3.456m if useful lives were reduced by one year.
Impact of COVID-19 outbreak on Property Valuations	The Council's operational properties are valued on a 5-year rolling basis and its surplus property assets are valued every year. Valuation reports prepared by professional valuers are used to inform the values of property assets in the financial statements. The outbreak of the Novel Coronavirus (COVID-19) has impacted global financial markets and travel restrictions have been implemented by many countries. This has caused extensive disruption to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the property assets at the balance sheet date. As at the valuation date, our valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. The valuations carried out for the year ended 31 March 2020 are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to those valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, our valuers recommend that property valuations should be kept under frequent review. Although the valuer has declared a material valuation uncertainty, they have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best and most reliable information available to North Ayrshire Council as at 31 March 2020.	It is not possible at this time to quantify the impact of COVID-19 on property markets and the consequential impact on NACs property assets. We will monitor the market situation with respect to COVID-19 impacts over the next few months with our valuers and, if emerging evidence indicates that the assets valued in 2019/20 have been significantly impaired, we will seek updated valuations on this basis from our internal valuers for Non-Housing property assets and from our external valuers for NAC Council Dwellings. The revised carrying values for the property assets that were revalued in 2019/20 was £70.144m for Non-Housing Properties and £447.254m for the Council's Housing Stock.

#### **Note 40: Accounting Standards issued, not yet Adopted**

The Code requires the Council to disclose information about accounting changes that will be required by new accounting standards in the 2020/21 Code due to be adopted in future years and the possible impact.

For the 2019/20 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

**Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-Term Interests in Associates and Joint Ventures** – The amendments clarify that a company applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

**Annual Improvements to IFRS Standards 2015 - 2017 Cycle** – This makes amendments to three current standards:

- Within IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, the revaluing of previously held interests is clarified;
- Within IAS 12 Income Taxes, the recognition of all income tax consequences of dividends is clarified;
- Within IAS 23 Borrowing Costs clarification is given that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

**Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement** – The amendment specifies how companies determine pension expenses when changes to a defined benefit pension plan occur.

In all cases detailed above, implementation is required from 1 April 2020 or beyond, meaning that there is no impact on the 2019/20 financial statements.

#### **Note 41: Critical judgements in applying accounting policies**

In applying the accounting policies set out in Note 42, 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 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 38-41.
- 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 32.
- The impact of the UK's withdrawal from the EU provides a degree of uncertainty around future funding levels and the economic development of North Ayrshire. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication of the likely impact on the provision of services or the valuation of the Council's assets.

## Note 42: Accounting policies

### General Principles

The Accounts summarise the Council's transactions for the 2019-20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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 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 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.

### D 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.

### E 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.

## F 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 Communities service 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 measure 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.

#### **G 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.

#### **H 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 Fair Value through Profit or Loss (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.

## **I 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.

## **J 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.

### **K 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.

### **L 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.

### **M Internal Transactions**

Internal transactions between operational segments of the Council are included within the management accounts for budgetary control purposes only. All internal transactions between services have been excluded from the service expenditure analysis within the Comprehensive Income and Expenditure Statement resulting in reductions in both the gross expenditure and gross income reported, with no overall net impact.

### **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, with the exception of Surplus Assets which are revalued annually. 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.

Depreciation 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) / Non Profit Distributing (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 principal 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.

