

# Annual Accounts

2022-2023



North Ayrshire Council  
Comhairle Siòrrachd Àir a Tuath



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## Management Commentary

The Annual Accounts presents North Ayrshire residents, Elected Members and other stakeholders with detailed information on the financial management and performance of the Council and its Group for 2022/23, demonstrating the stewardship of the public funds which have been used to support the Council's key priorities.

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

The Management Commentary outlines the key messages on the Council's financial and service performance for 2022/23 and looks ahead to the challenges and risks which we face in the future. Key areas which the Management Commentary covers includes:

- North Ayrshire by Numbers;
- Political and Management Structures;
- Key Strategies and Priorities;
- Performance and Achievements during 2022/23;
- Financial Planning and Performance for 2022/23; and
- Our Future Plans for 2023/24 and beyond.

## North Ayrshire by Numbers

### Geography



North Ayrshire covers an area of around 886 square kilometres with over 50% of our land area being islands, including Arran and the Cumbraes, with a coastline of 225 kilometres.

The main settlements are Irvine, Kilwinning, Ardrossan, Saltcoats, Stevenston, Beith, Dalry, Kilbirnie, Largs, Dreghorn, Springside, West Kilbride, Seamill, Fairlie, Skelmorlie, Brodick and Millport.

### Population



North Ayrshire is home to 134,220 residents living across 64,886 households, making us the 15<sup>th</sup> largest local authority in Scotland in terms of population.

North Ayrshire is home to 2.4% of Scotland's population. However, compared to the Scottish average, North Ayrshire has a higher proportion of older residents, resulting in increased service demands :

Age Range	North Ayrshire	%	Scotland	%
Residents aged under 16	21,891	16%	911,522	17%
Residents aged 16 – 65	82,956	62%	3,560,187	65%
Residents aged 66 or over	29,373	22%	1,008,191	18%
<b>TOTAL</b>	<b>134,220</b>	<b>100%</b>	<b>5,479,900</b>	<b>100%</b>

## Infrastructure



North Ayrshire Council maintains 1,044 kilometres of adopted roads and supports a range of operational buildings on behalf of our communities, including:

9 Secondary Schools; 48 Primary Schools; 6 Early Learning and Childcare Centres; 1 ASN School; 28 Community Halls and Centres; and 15 Libraries.

We maintain around 2,800 hectares of parks and woodlands.

Our Waste Services uplift 5.3 million bins each year and dispose of over 72,000 tonnes of waste annually.

## Economic Activity



In terms of **Economic Activity**, there are 4,005 businesses across North Ayrshire. However, we report higher levels of worklessness and lower levels of economic activity and qualifications than the Scottish average:

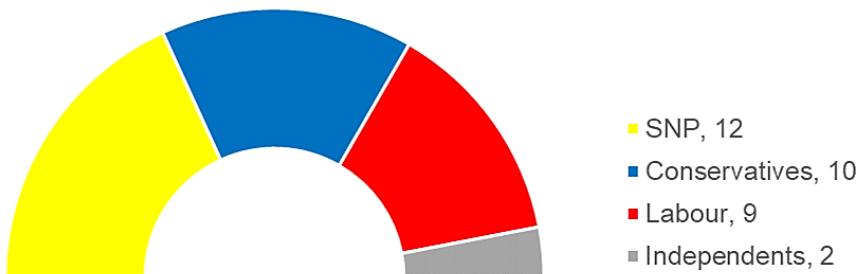
Category	North Ayrshire	Scotland
Economically Active Adults	73.8%	77.2%
Workless Households	23.9%	18.6%
Adults with no formal qualifications	11.7%	7.8%

The data on **Poverty and Deprivation** demonstrates that 39.8% of SIMD (Scottish Index of Multiple Deprivation) Datazones in North Ayrshire are amongst the 20% most deprived in Scotland, the third highest in Scotland. In addition, 28.6% of Children under 16 are living in relative poverty. This is the second highest in Scotland.

## Our Political and Management Structures

Following boundary changes and the Scottish local government elections on 5 May 2022, North Ayrshire Council has 33 Elected Members representing 9 multi-member wards.

North Ayrshire Council is a minority SNP administration.



Full details of North Ayrshire's [elected members](#) are available on our website.



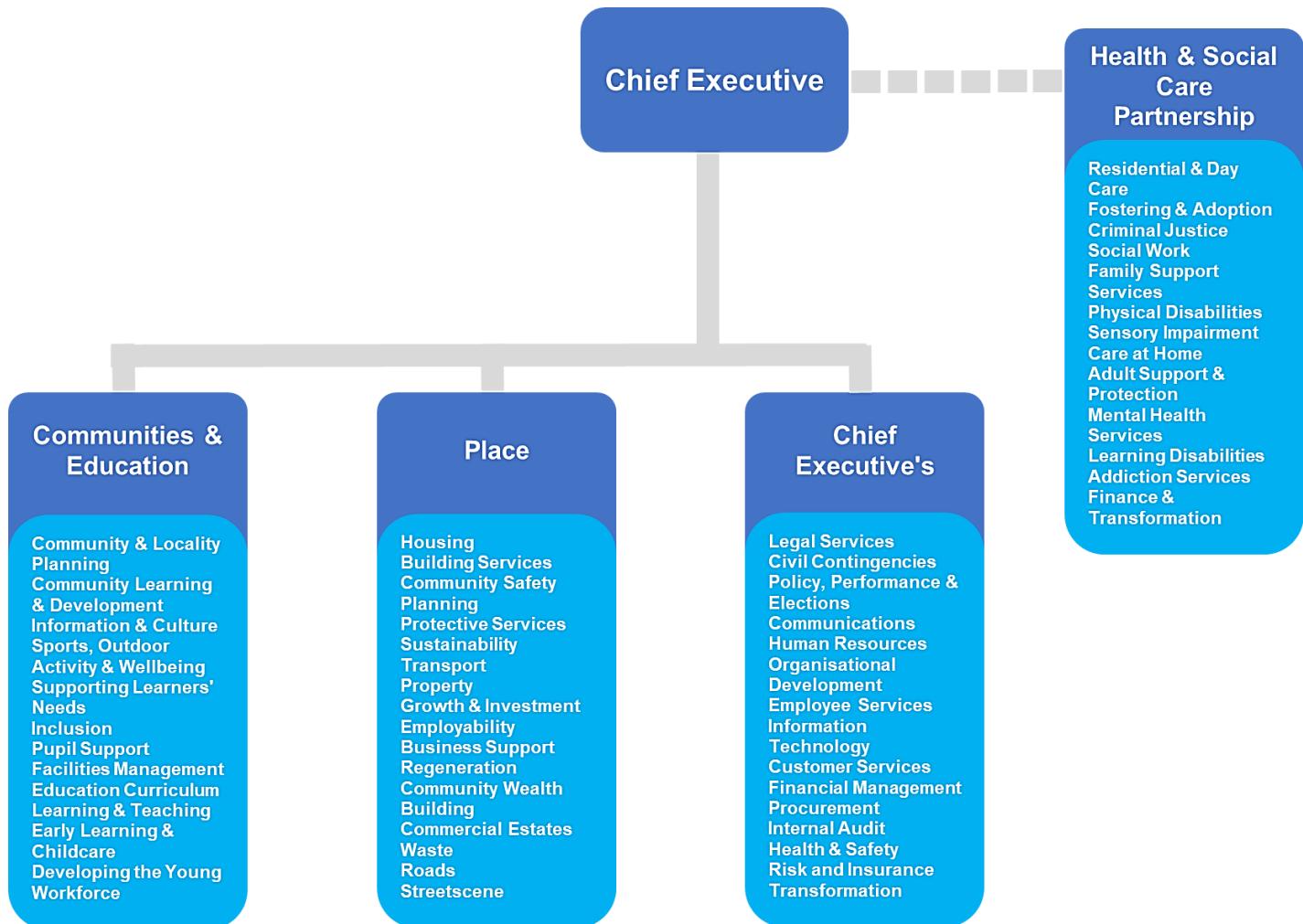
## Council Structure

North Ayrshire Council's ambition is to ensure that North Ayrshire is a great place to work, live, visit and invest in.

Working with our partners, we deliver a range of local services from providing education, social care and housing, to libraries and waste services.

The Council employs 7,510 staff, equivalent to 6,432 full time equivalents. 76% of staff are also residents of North Ayrshire and directly benefit from the many services provided by the Council.

North Ayrshire Council's most senior official is the Chief Executive, Craig Hatton. Craig, along with the Executive Leadership Team, oversees the delivery of all of our services, including:



## Our Key Strategies and Priorities

Our [Council Plan 2019-2024](#) describes our vision, mission and priorities for the years ahead. It sets out our strategic approach which is focused on making North Ayrshire a fairer and more equal society:

### Our Vision

*A North Ayrshire that is 'Fair for All'*

### Our Mission

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

### 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 Places

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

#### A Council for the Future

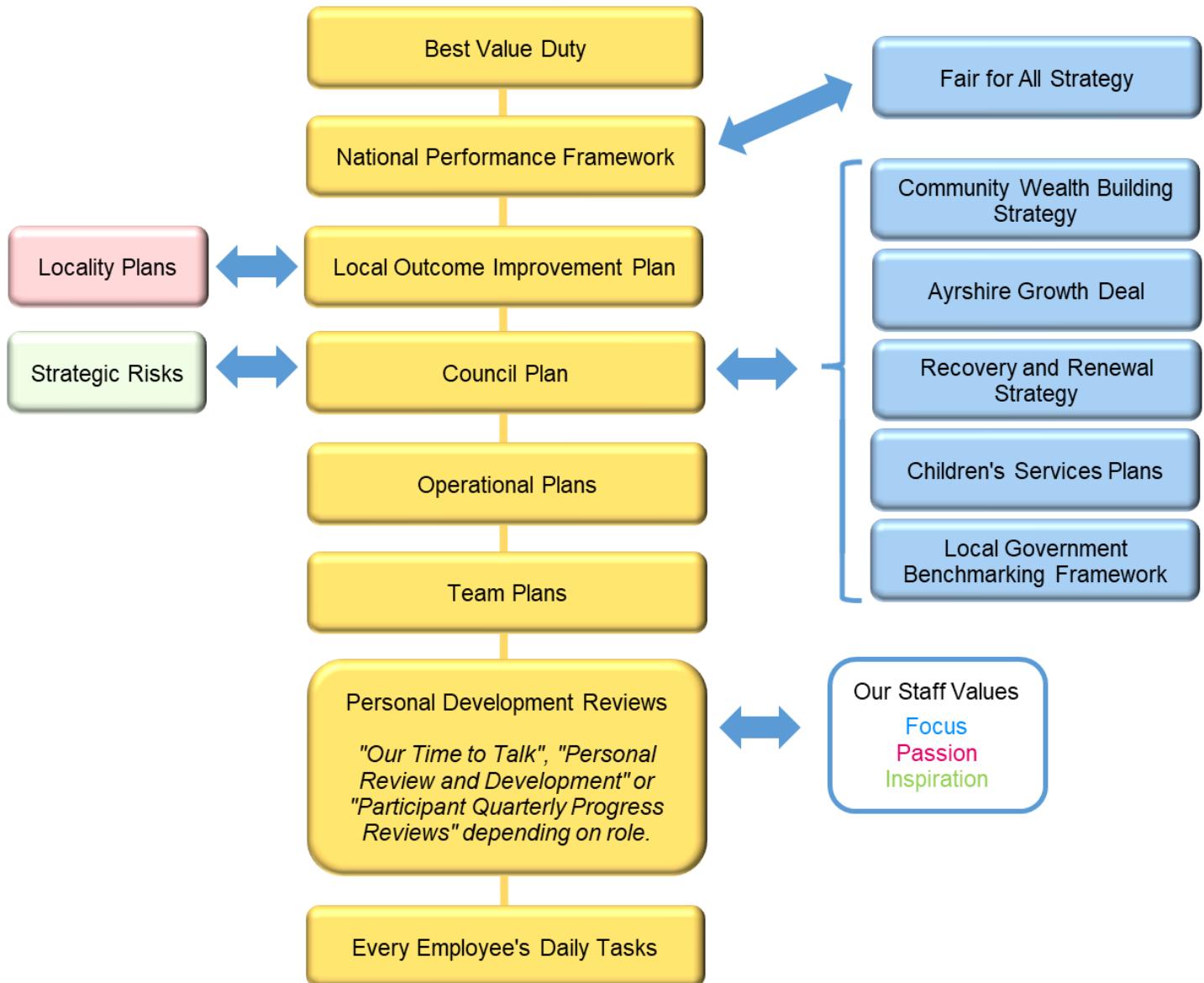
- ❖ An accessible Council that puts residents and communities at the heart of what we do
- ❖ An efficient Council that maximises resources and provides value for money
- ❖ A valued workforce that delivers high quality services
- ❖ A powerful and respected voice

The Council Plan aligns with the [Local Outcomes Improvement Plan](#), which sets out how we will work with other public, private and voluntary organisations and groups to achieve our key priorities. This is supported by a range of strategies and plans which detail the key drivers within our Council Plan and how we will seek to realise these priorities.



## The Golden Thread

Every task of every employee within our Council contributes to achieving better outcomes for the people of North Ayrshire. This link is referred to as the "Golden Thread". An overview is shown below:



## Our Performance and Achievements during 2022/23

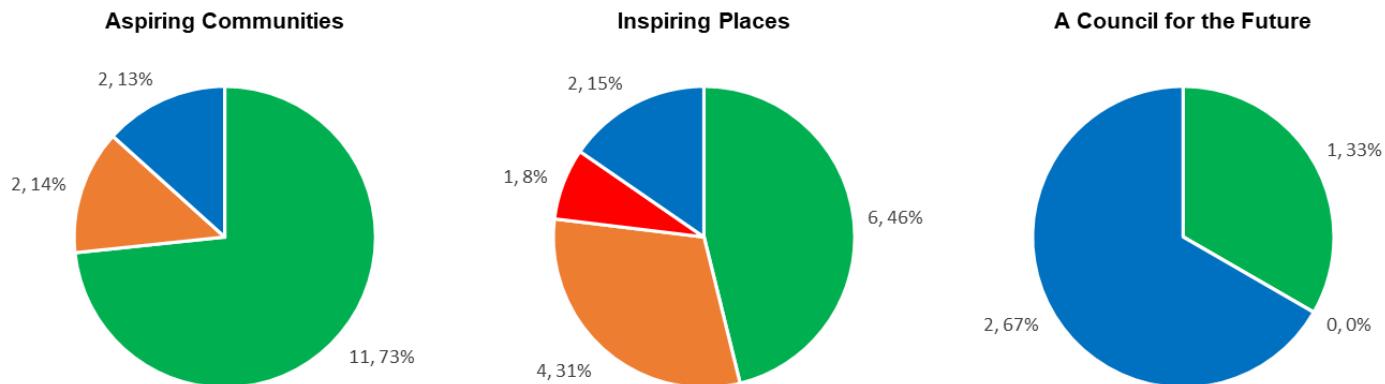
Effective performance management's core purpose is to improve the lives of the people we serve. [Our Performance Strategy](#) shows how we support a culture of continuous improvement, how the work of every employee is crucial to achieve our overall vision of a North Ayrshire that is Fair for All. It outlines future activities, including how we are continuing to develop our performance management so that it is accessible, engaging and everyone has the chance to scrutinise our services.

The Council's Executive Leadership Team and Elected Members scrutinise our performance through six monthly reports which detail progress against our Council Plan Performance Framework and Delivery Plan. Information on all our performance reporting, including detailed information on our response with partners throughout the Covid-19 pandemic, can be viewed at [Council Performance](#).

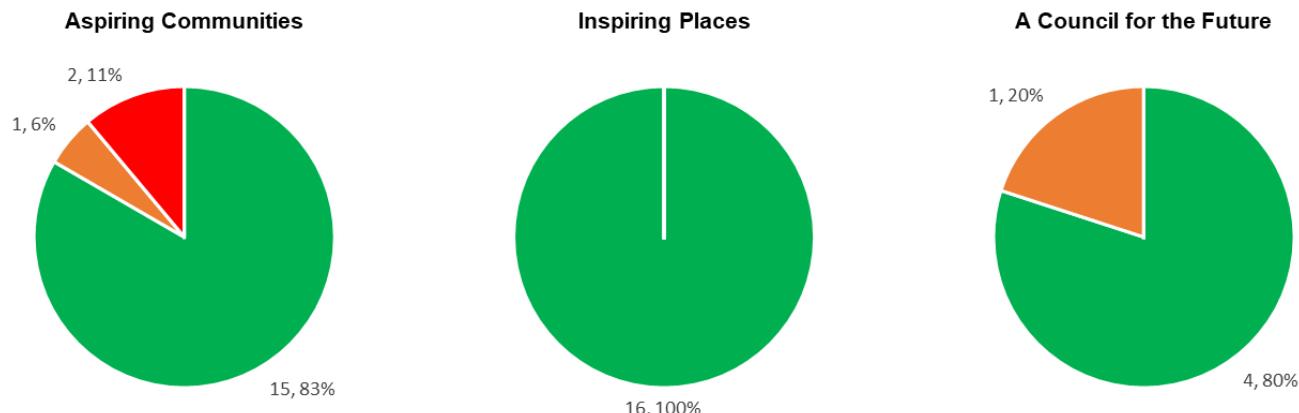
## Performance Summary

A summary of our performance against performance indicators and Council Plan delivery plan actions using the latest published data is as follows:

### Performance Indicators



### Delivery Plan Actions

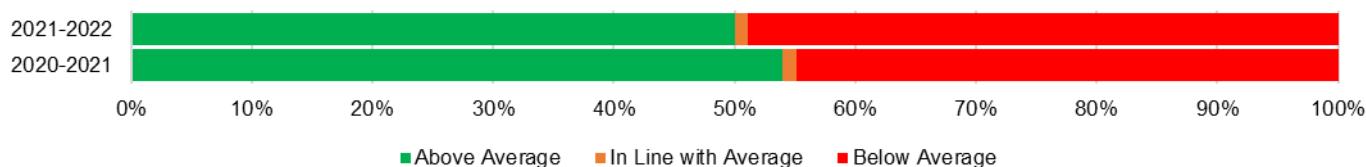


Legend: █ On Target █ Slightly Adrift █ Significantly Adrift █ Data Only / Unknown

The latest data indicates that 96% of performance indicators and 95% of delivery plan actions are either on target or slightly adrift of target. This is an improvement from the status reported at the end of 2021/22 where 79% of performance indicators and 95% of delivery plan actions were on target or slightly adrift of target. However, it should be noted that the 2021/22 figures were impacted by the Covid-19 pandemic restrictions, including the suspension of customer satisfaction and employee engagement surveys during that period.

### Local Government Benchmarking Framework (LGBF)

The Local Government Benchmarking Framework (LGBF) provides an opportunity to benchmark our performance with other local authorities in Scotland. 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. The most recent data published relates to 2021-22. This indicates that performance against 50% of reported indicators are above the Scottish Average with 49% below the average and 1% in line with the average:



Further information on how we compare can be viewed at the [mylocalcouncil](https://www.mylocalcouncil.gov.uk) portal.



## Looking back at 2022/23

The story of 2022/23 is one dominated by the recovery from the Covid-19 pandemic and the impact of the ongoing cost of living crisis.

In terms of the cost of running Council services, the impact of the cost of living increases has been most keenly felt in relation to inflationary pressures on energy costs and a range of essential commodities, such as food and vehicle fuel, while the impact on our staff has resulted in significantly increased pay settlements which were only agreed following industrial action by some trades unions. These inflationary pressures were also experienced in relation to the delivery of our capital investment programmes, where the impact on tender returns and costs of materials, combined with supply chain issues and construction industry volatility, resulted in increased costs and delivery delays across the programmes, while increased interest rates had significant impacts on the cost of borrowing to support planned investments.

However, these pressures did not only effect Council service costs. The increased cost of living continues to impact on all North Ayrshire residents, particularly the most vulnerable, and the Council's priorities have been adapted to recognise the need for immediate and sustained action to tackle child poverty and the impact of the cost of living crisis across our communities.

Throughout 2022/23, while addressing these emerging issues, we have continued to deliver and improve services and outcomes for the people of North Ayrshire. Specific examples of the progress made in delivering our Council Plan priorities have included:

### Aspiring Communities

#### Tackling Child Poverty and the Cost of Living Crisis

Tackling child poverty and the current cost of living crisis is an immediate priority for North Ayrshire Council. During 2022/23, we established a new Child Poverty and Cost of Living Board, chaired by the Leader of the Council and supported by our Community Planning Partners. The aim of the board is to provide leadership in the development and delivery of our Child Poverty Action Plan and our approach to addressing the cost of living crisis.

In practical terms, North Ayrshire Council has directed significant investment towards addressing the issues identified, including support for businesses and communities, through investment in modern apprenticeships, skills for life and recruitment incentives; support for families, through child bridging payment top ups to over 5,700 children across the authority and further development of the North Ayrshire Fairer Food Network; and support for tenants, through help with rent arrears and fuel poverty.



#### Energy Smart Scheme

Following an investment of £2.2m, the Energy Smart scheme has been developed to support residents of North Ayrshire through the cost of living crisis by reducing fuel poverty and increasing affordable warmth, whilst reducing carbon emissions.

The Scheme is being delivered across three stages incorporating energy efficiency and low carbon behaviour advice; £0.450m of direct support payments to help low-income households with their energy bills; and the implementation of physical energy efficiency measures including loft and cavity wall insulation, and the supply of LED bulbs and draught excluders.





## North Ayrshire Financial Inclusion Strategy 2023-28

Our [Financial Inclusion Strategy 2023-28](#) was approved in March 2023 and sets out how we will deliver welfare rights and debt advice services to the people of North Ayrshire, supporting people to access benefits and increase income levels while reducing outgoings, managing their disposable incomes and developing manageable debt strategies as required.

The Strategy will deliver a combination of in-house and independent advice services which will seek to identify the root causes of debt and the wider needs of residents, increasing engagement across the more vulnerable elements of our communities and reducing levels of poverty and, in particular, child poverty across North Ayrshire.



## Inspiring Places

### Strategic Housing Investment

During 2022/23 we have continued to deliver on our commitment to develop 1,625 new build Council homes, including 275 new homes to replace the Fullarton tower blocks, with over 840 new homes completed to date.

In addition, the Council has approved the [Strategic Housing Investment Plan 2023-2028](#) which sets out the priorities and locations for affordable housing investment by the Council and Registered Social Landlords in North Ayrshire over the next five years, representing a total investment of £165.4m over the period.



### Lochshore Visitor Hub

October 2022 saw the official opening of the Lochshore Visitor Hub. The project has been a long-term, strategic regeneration project which will bring 65 hectares of vacant and derelict land back into productive use.

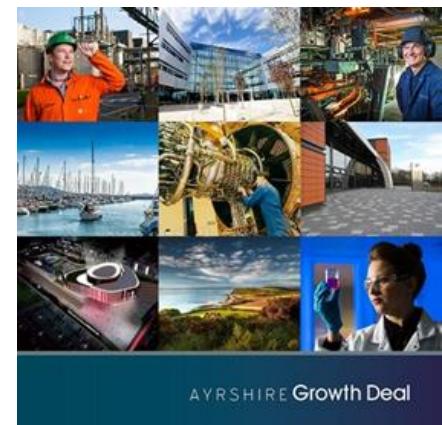
In addition to a new active travel route, the new hub will facilitate a wide range of activities including the establishment of the Friends of Lochshore Park Group, which will carry out practical conservation tasks in and around Lochshore Park creating opportunities for training and encourage skills development within the community.



### Ayrshire Growth Deal and Growth & Investment

Throughout 2022/23, work has continued in relation to the key investment projects:

- ❖ Great Harbour - Long-term planning document and delivery strategy developed;
- ❖ Ardrossan Harbour – Progressing designs, partnership arrangements and procurement activity for this vital marine and landside investment to support ferry operations;
- ❖ Marine Tourism – Development of outline business case for Cumbrae Transit Marina and investigation of suitable location for Arran Transit Marina informed by programme of engagement and consultation on both Arran and Cumbrae;
- ❖ I3 Digital Innovation Campus - Phase 1 Full Business Case for the Digital Processing Manufacturing Centre approved by the Ayrshire Joint Economic Committee;
- ❖ I3 Flexible Business Space Unit - Tender process complete and Full Business Case approved for phase 1 for construction to commence.



AYRSHIRE Growth Deal



## Solar PV Farms

Plans to invest £12.8m on building two Council-owned solar farms on former landfill sites at Nethermains between Kilwinning and Irvine, and at Shewalton in Irvine, reached a major milestone with the tender for delivery awarded during 2022/23.

The two solar farms are key elements of delivery of the Council's Environmental Sustainability and Climate Change Strategy and are expected to generate a significant amount of energy, helping North Ayrshire to achieve net-zero carbon emissions by 2030, as well as providing an annual net income that can be reinvested in the area.



## Electric Vehicle Charging Infrastructure

Our [Electric Vehicle \(EV\) Strategy 2021-25](#) aims to increase the number of EVs being used across North Ayrshire by creating a robust network of EV charge points. Throughout 2022/23, we have continued to invest in our public EV charging infrastructure with additional publicly accessible EV charge point installations commissioned at key points across the authority, including Irvine, Arran and Skelmorlie.

Work is ongoing to develop an Inter Authority Agreement with East and South Ayrshire for expansion of the public vehicle charging network across Ayrshire.



## Tackling Climate Change

Our [Environmental Sustainability and Climate Change Strategy 2021-23](#) provides a route map to achieving net zero carbon emissions across North Ayrshire by 2030. During 2022/23 carbon emissions associated with Council services reduced by 4% from the previous year, and by 69% compared with our baseline year of 2005/06.

In addition to the key climate change actions noted elsewhere in this section, North Ayrshire has installed solar PV panels on over 500 properties across the Council's domestic estate to help reduce carbon emissions and alleviate instance of fuel poverty; redirected over 26,000 tonnes of municipal waste to landfill towards an energy from waste plant in partnership within the Clyde Valley Project; and supported insulation measures in hard to treat homes across the authority.



## A Council for the Future

### Support for Individuals

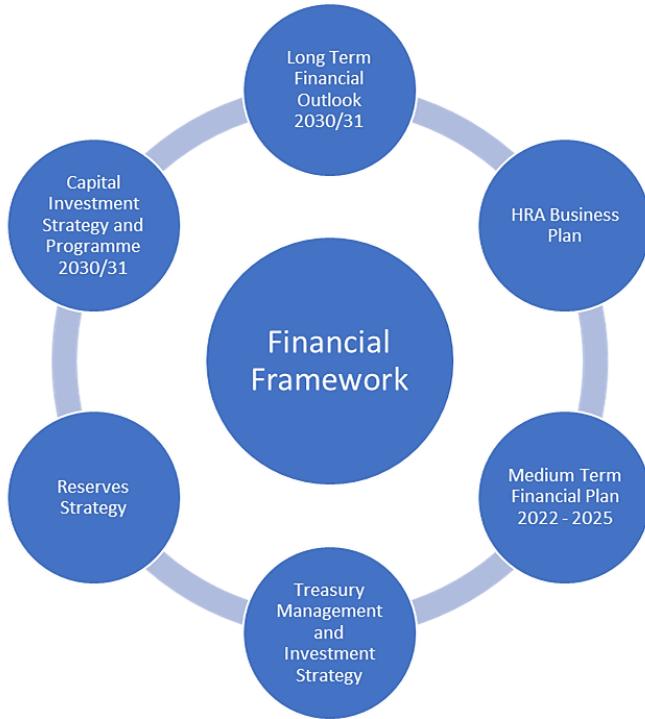
Throughout 2022/23, North Ayrshire Council has administered a range of grant schemes on behalf of the Scottish and UK governments to provide financial support to individuals and families impacted by the Covid-19 pandemic and the Cost of Living crisis, including:

- ❖ Scottish Government Cost of Living Award Scheme: £150 support to 51,988 individuals and families;
- ❖ UK Government Energy Bill Support Scheme: £400 direct support payments for 500 households unable to access direct support through energy suppliers;
- ❖ Scottish Government Self Isolation Support: support payments to around 380 individuals directly impacted by Covid-19; and
- ❖ Scottish Government Child Bridging Payments: providing additional support to children from low income families.

Cost of Living Award Scheme £7.8m	Energy Bill Support Scheme £0.2m
Self Isolation Payments £0.2m	Scottish Child Bridging Payments £2.5m

## Financial Planning and Performance

Robust financial planning and management ensures that resources are targeted to our key priorities. The financial framework to support this includes medium and long term financial planning for both revenue and capital investment, as well as specific strategies for the utilisation of reserves and the investment and management of available funds.



For 2022/23, North Ayrshire Council approved General Fund and Housing Revenue Fund (HRA) revenue expenditure of over £435m to support day to day spending on services.

Alongside this, North Ayrshire Council approved plans to invest £239m in the assets which support delivery of our key priorities, including schools, housing, infrastructure and regeneration activities.

### Service Concession Flexibility

During 2022/23, North Ayrshire Council approved the adoption of revised accounting arrangements in respect of its Public Private Partnership (PPP) and Design, Build, Finance and Maintain (DBFM) contracts. Collectively known as "Service Concession" arrangements.

In accordance with a financial flexibility enabled by the Scottish Government, the accounting arrangements in relation to the capital repayment element of the Council's service concession contracts have been reviewed and adjusted in a manner consistent with the accounting for other local authority fixed asset financing arrangements.

Under the revised accounting arrangements, an annuity-based repayment schedule has been identified as prudent, sustainable and affordable, resulting in the rescheduling of charges to the General Fund over the 50 year useful economic life of the assets rather than the current contract terms. This has resulted in the release of a one-off retrospective repayment adjustment of £21.546m with a short to medium term reduction in the annual debt repayment charges over the period to 2037/38. These adjustments are timing related and the overall repayments charged to the General Fund remain unchanged.

Council has agreed that the short to medium term cost reductions are to be applied to address the rising cost pressures within the 10-year General Services Capital Programme. The retrospective element has been transferred to an earmarked reserve and will be applied to temporarily and partially mitigate the significant challenges identified in the budget gap within the medium-term General Services Revenue Budget, including support for the Council's Workforce Planning programme.



## Financial Performance

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

The following section summarises our financial performance for 2022/23.

### General Fund Revenue Expenditure 2022/23

For 2022/23 the final expenditure on General Fund Services was £408.109m compared to the approved budget of £380.710m and the revised budget of £424.022m. This resulted in a net contribution to reserves of £18.794m.

	Revised Budget	Actual Expenditure	Variance	Accounting Adjustments	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Chief Executives	26.560	25.702	(0.858)	2.788	28.490
Communities	176.746	171.407	(5.339)	(3.553)	167.854
Place	54.219	55.118	0.899	28.700	83.818
HSCP	120.549	120.549	0	10.363	130.912
Other Corporate items	18.441	15.407	(3.034)	(6.871)	8.536
Financing Costs	27.507	19.926	(7.581)	(4.198)	15.728
<b>Total Expenditure</b>	<b>424.022</b>	<b>408.109</b>	<b>(15.913)</b>	<b>27.229</b>	<b>435.338</b>
Government Grants	(311.453)	(311.453)	0	(1.838)	(313.291)
Non Domestic Rates	(37.513)	(37.497)	0.016	(0.248)	(37.745)
Council Tax	(61.595)	(61.989)	(0.394)	0	(61.989)
Contribution from Reserves	(15.964)	(15.964)	0	15.964	0
<b>Total Income</b>	<b>(426.525)</b>	<b>(426.903)</b>	<b>(0.378)</b>	<b>13.878</b>	<b>(413.025)</b>
<b>Contribution to Reserves</b>	<b>(2.503)</b>	<b>(18.794)</b>	<b>(16.291)</b>	<b>41.107</b>	<b>22.313</b>

The net expenditure for each service noted above varies from that reported in the Comprehensive Income and Expenditure Statement (CIES) as a result of a number of statutory accounting adjustments in relation to capital accounting, pensions and other minor adjustments. Full details of these adjustments are explained in Note 1 Expenditure and Funding Analysis on page 53.

The Council's contribution to the Health and Social Care Partnership (HSCP) includes an additional £2.320m which has been drawn down to facilitate the full repayment of the HSCP's outstanding deficit.

Overall, services reported an underspend of £15.913m, 3.8% of the available budget. Significant variances reported by services included:

- ❖ £7.581m planned underspend on capital financing costs, including the revision to the annual debt repayment charges under the revised service concession arrangements;
- ❖ £2.737m underspend in relation to vacancy management across services;
- ❖ £1.279m underspend in relation to industrial action by teaching unions during the year;
- ❖ £1.170m within Early Learning and Childcare due to the revised programme for full implementation of the expansion to 1140 hours and lower than anticipated uptake levels across funded providers;
- ❖ £1.001m combined underspend and increase in income related to improved waste recycling activities;
- ❖ £0.888m additional funding received to support future service delivery;
- ❖ £0.798m higher than anticipated income and other recoveries across services; and
- ❖ £0.502m reduction in provision for bad debts following a re-assessment of lifetime expected credit losses.



The actual Contribution to Reserves of £18.794m includes planned contributions of £10.084m comprising:

- ❖ £7.581m to the Loans Fund Reserve;
- ❖ £1.726m to support the Energy Smart scheme;
- ❖ £0.616m contribution to the Affordable Housing Reserve; and
- ❖ £0.161m reimbursement of the Capital Fund linked to prior year ICT/Telephony investments.

Further contributions to reserves of £8.710m were agreed by Cabinet throughout the year, these include:

- ❖ £2.322m in relation to service activity deferred until 2023/24;
- ❖ £1.822m to support the continued expansion of Early Learning and Childcare services and help address future funding reductions;
- ❖ £1.000m additional investment in the Roads Maintenance programme;
- ❖ £0.870m for contractual energy price inflation for 2023/24;
- ❖ £0.850m to support workforce reviews within Education and Democratic Services;
- ❖ £0.524m additional support for the Energy Smart scheme;
- ❖ £0.512m additional contributions to the Loans Fund Reserve to address ongoing significant cost pressures within the Capital Programme;
- ❖ £0.483m additional investments in Plant and Equipment; and
- ❖ £0.327m to support forecast demand on Scottish Welfare Fund payments during 2023/24.

After the earmarking of £18.794m to meet future year expenditure and investment requirements, a final in-year breakeven position has been reported.

For 2022/23 in-year council tax collection was 94.7% (93.3% in 2021/22). This is a significant improvement over previous years and represents a return to the collection levels reported in the period before the Covid-19 pandemic following the resumption of normal debt recovery and support arrangements.

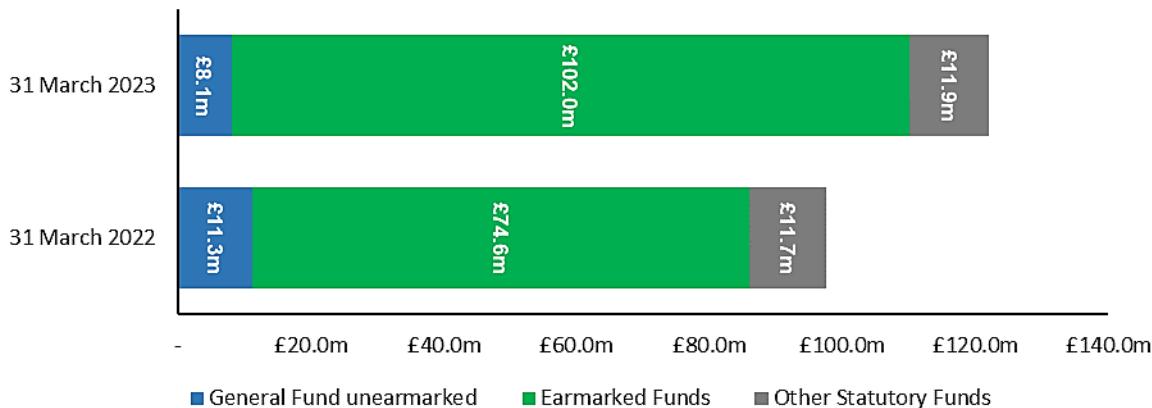
## General Fund Reserves

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. To support the General Services Revenue Estimates for 2023/24 to 2025/26, North Ayrshire Council agreed to reduce the level of unearmarked balances to 2% of budgeted expenditure. As a result, following the reported net in-year breakeven position, the General Fund Unearmarked Balance at 31 March 2023 is confirmed as £8.053m. This is within the recommended range of 2% - 4% for general reserves.

Full details of the Council's General Fund Reserves are shown in Note 11 on page 61, along with information on future commitments. The following diagrams summarise the movements and available balances within the General Fund Reserves:



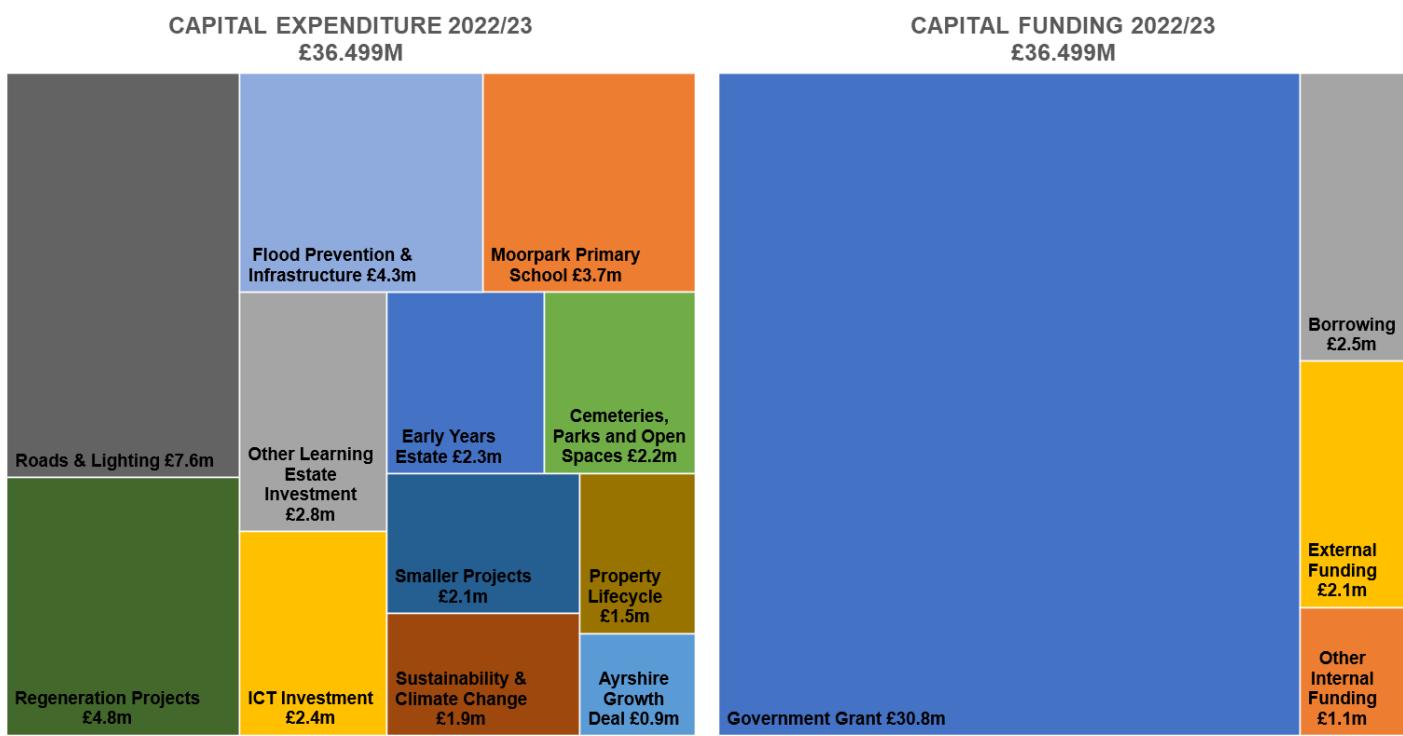


The Transfers to Earmarked Funds noted above includes £21.546m in relation to a retrospective repayment adjustment arising from the revised accounting arrangements for service concession contracts.

### General Fund Capital Expenditure 2022/23

In 2022/23 the final spend for capital investment was £36.499m, which was in line with the revised budget. Further details, including comparative figures for 2021/22 are provided in Note 17 on page 66.

The exhibit below identifies the key projects and summarises how the programme was funded:





## Housing Revenue Account 2022/23

For 2022/23 the final expenditure on the Housing Revenue Account (HRA) services was £55.398m against a budget of £56.213m. 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 46.

	Revised Budget	Actual Expenditure	Variance	Accounting Adjustments	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Employee Costs	5.300	5.290	(0.010)	0	5.290
Property Costs	19.824	20.533	0.709	0	20.533
Other Costs	5.439	5.662	0.223	0	5.662
Financing Costs	25.650	23.913	(1.737)	0.029	23.942
<b>Total Expenditure</b>	<b>56.213</b>	<b>55.398</b>	<b>(0.815)</b>	<b>0.029</b>	<b>55.427</b>
 Council House Rents	 (53.310)	 (52.662)	 0.648	 0	 (52.662)
Other Rents & Recharges	(1.543)	(1.376)	0.167	0	(1.376)
Contribution from Reserves	(1.360)	(1.360)	0	1.360	0
<b>Total Income</b>	<b>(56.213)</b>	<b>(55.398)</b>	<b>0.815</b>	<b>1.360</b>	<b>(54.038)</b>
 <b>Contribution to Reserves</b>	 <b>0</b>	 <b>0</b>	 <b>0</b>	 <b>1.389</b>	 <b>1.389</b>

The actual expenditure for the HRA noted above varies from that reported in the Comprehensive Income and Expenditure Statement (CIES) as a result of a number of statutory accounting adjustments in relation to capital accounting, pensions and other minor adjustments. Full details of these adjustments are explained in Note 1 Expenditure and Funding Analysis on page 53.

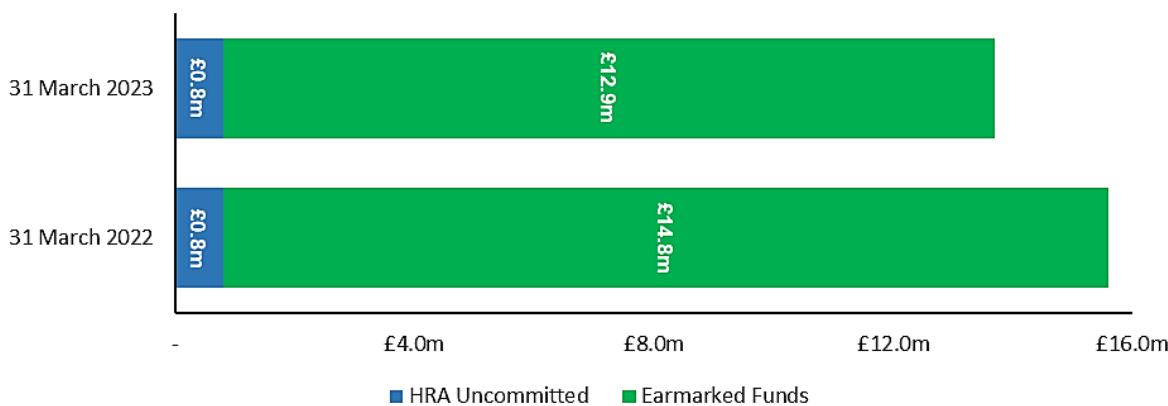
The lower than budgeted expenditure across the service was primarily related to:

- ❖ Reduced loan charges linked to reduced levels of expenditure on the HRA capital programme, (£1.737m); and
- ❖ Utilisation of HRA earmarked reserves, (£1.360m).

These have been partially offset by:

- ❖ Additional Sheltered Housing Unit energy costs, £1.010m;
- ❖ Increased expenditure on Responsive Repairs, £0.955m; and
- ❖ The under recovery of Council House rents, £0.647m.

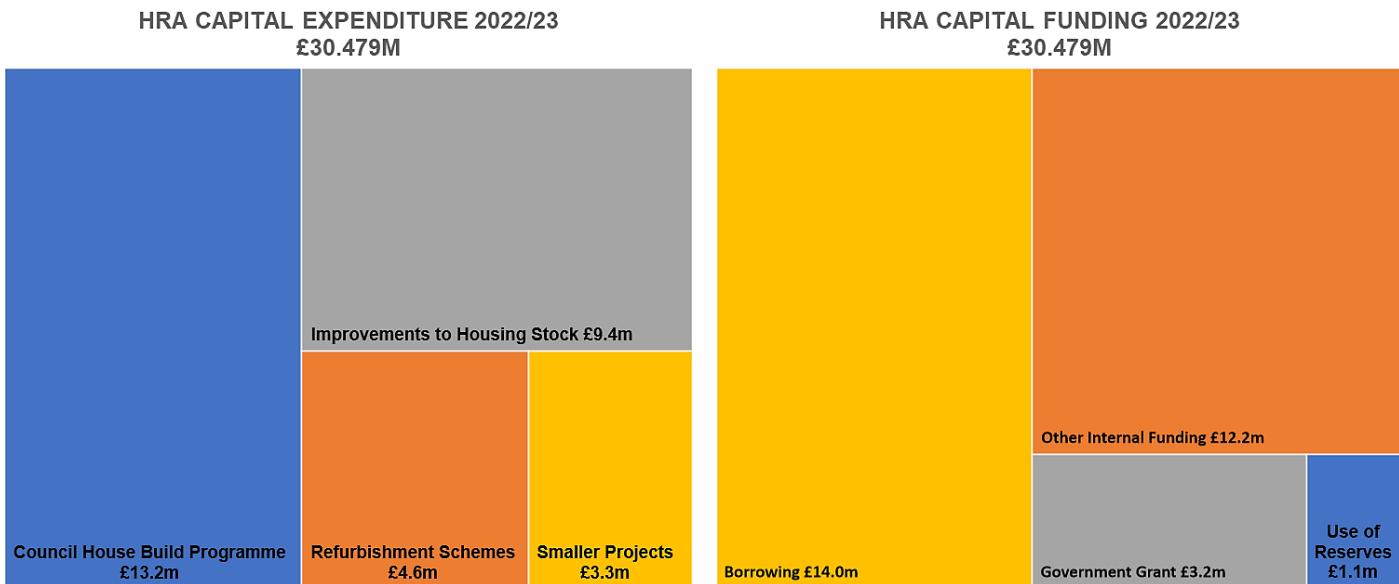
In addition to the utilisation of £1.360m from reserves noted above, £0.571m has been applied to support the HRA Capital Programme, including the Council House building programme. The accumulated HRA reserve at 31 March 2023 is £13.685m. The diagram below summarises the available balances on the HRA Reserves:



## HRA Capital Expenditure 2022/23

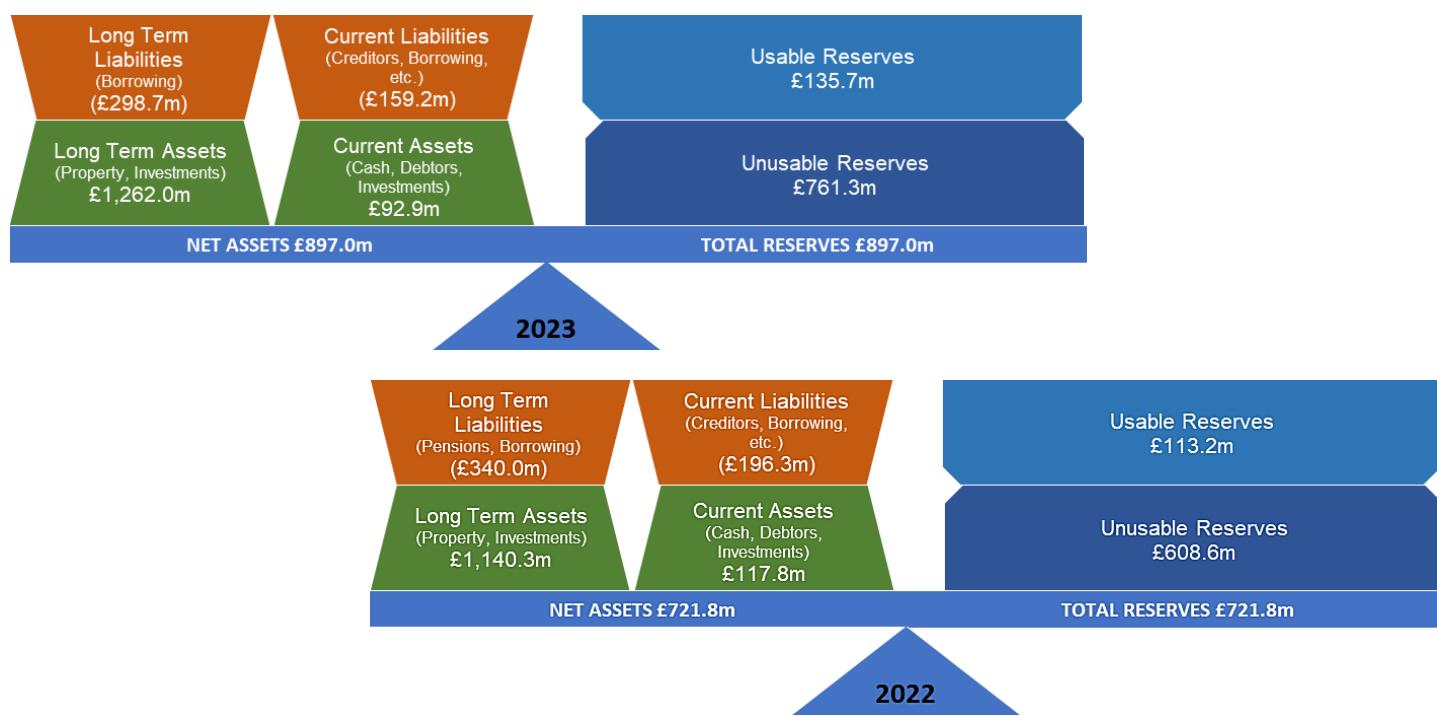
In 2022/23 the final HRA expenditure on capital investment was £30.479m against a budget of £36.878m. The underspend was primarily in relation to a number of improvement programmes which require to be reprofiled to align to the revised Business Plan.

The chart below identifies the key projects and how the programme was funded. Further details, including comparative figures for 2021/22, are provided in Note 17 on page 66.



## The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2023, 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 44.





The Balance Sheet on page 44 summarises the Assets and Liabilities and shows a net worth of £897.0m. This is an increase from last year due to an increased value of Assets of £96.8m and a reduction in Liabilities of £78.4m. The main changes to the Council's Balance Sheet are explained as follows.

Long Term Assets have increased in value by £121.7m. This is primarily related to continued investment in new assets across the Council and increases in the value of our existing assets which have been revalued as part of our five year rolling revaluation programme. In addition, there has been a significant increase in the Council's share of Strathclyde Pension Fund's net assets, which have moved from a net liability of (£57.5m) to a net asset of £29.3m. This has been driven by improved returns on assets across the Fund, combined with an increase in the discount rate applied reflecting an increase in corporate bond yields over the year. The impact of this has been partly offset by increases in pensions linked to inflation which was significantly higher than the original assumptions for the year. The value of the net asset has been adjusted to reflect the level of economic benefit which the Council may be able to derive from the movement on the Fund in the form of potential refunds or reduced future contributions.

Current Assets have reduced by £24.9m. This is primarily a reflection of additional Scottish Government support for the North Ayrshire Integration Joint Board which was included during 2021/22 but not repeated during 2022/23.

Reductions in Short and Long Term Borrowing of £12.6m reflect the scheduled repayments of debt which matured during the financial year. New borrowing undertaken during the year has been lower than anticipated reflecting the reduced level of activity in delivering the Council's Capital Investment Strategy and the ongoing strategy of using internal resources and temporary borrowing to minimise costs.

## 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:

Financial Indicator	2022/23	2021/22
<b>CFR and Debt</b>		
Capital Financing Requirement	£384.1m	£353.0m
Gross External Debt	£245.6m	£258.5m
(Over) / Under Borrowed	£138.5m	£94.5m
<b>Affordability</b>		
Ratio of financing costs to net revenue stream – General Fund	1.9%	2.5%
Ratio of financing costs to net revenue stream – HRA	20.1%	18.7%
<b>Interest Rate</b>		
Loans Fund Interest Rate	3.1%	3.4%

### Gross External Debt

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.

### Affordability

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.

### Interest Rate

Our effectiveness in managing our debt portfolio is demonstrated by our low average rate of interest which is benchmarked against other local authorities.



## Outlook and Risks

### Outlook

#### 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 Report for May 2023 noted that the outlook for global activity was looking positive with world GDP now expected to grow at a moderate pace. However, risks remain from the tightening of credit conditions related to recent global banking sector developments. At the same time, headline inflation has been falling in the United States and euro area, although core inflation measures remain elevated.

Excluding the impact of recent industrial action and the extra bank holiday associated with the coronation, UK economic activity is expected to show modest growth, with demand expected to be stronger than previously forecast. This reflects stronger global growth and lower energy prices, combined with the fiscal support announced in the Spring Budget.

The report highlights the impact on households with inflation at 10.2% in the first quarter of 2023. However, consumer price inflation (CPI) is expected to fall sharply from quarter 2 reflecting declines in wholesale energy prices and reductions in food price inflation forecast over the year. The pace of this fall will depend on a number of economic factors including uncertainties around the global financial and economic outlook and a projected increase in unemployment over the course of 2024.

The impact within North Ayrshire will be felt in terms of a continuation of the recent increased demand for Council services as families continue to be adversely affected by the ongoing cost of living crisis in the short term. Although inflation is projected to fall sharply over the year, the reductions in food price inflation are expected to be slower and the additional support measures developed during 2022/23 are likely to be required for some time.

### North Ayrshire Council's Plans

#### Our Financial Plans

##### Revenue

In March 2023, the Council agreed its General Fund Medium Term Financial Plan (MTFP) for 2023/24 to 2025/26. The plan provides a balanced budget for 2023/24 with indicative funding gaps remaining for 2024/25 and 2025/26 of £17.126m and £10.834m respectively. To achieve this, the plan includes a range of savings proposals, a 5% increase in Council Tax for the year and the profiled use of reserves. This has been supported by the release of unearmarked reserves, which have been reduced to the minimum recommended level of 2%, and the planned application of a retrospective repayment adjustment arising from the revised accounting arrangements for service concession contracts.

The plan addresses the immediate needs of communities across North Ayrshire through the inclusion of non-recurring investment proposals to support the work of the Child Poverty and Cost of Living board and commit any in-year underspend from 2022-23 for investment in the Roads Maintenance programme and further investment in the Council's Energy Smart scheme providing additional emergency support for families across the authority. The gross underspend has since been confirmed at £1.524m with £1.000m earmarked to support Roads Maintenance and £0.524m earmarked to supplement the Energy Smart scheme.

The MTFP confirms the use of the service concession retrospective adjustment to help mitigate the significant cost pressures and resultant revenue budget gap, including the impact of construction cost volatility as part of delivering the Council's ambitious capital programme. These non-recurring resources will be applied in a limited and controlled manner across several financial years and will run in parallel with more sustainable measures to reduce the cost base of the Council in line with available funding. One of the key areas to help progress towards a sustainable budget includes planned investment to support workforce planning arrangements over the medium term, including a Voluntary Early Release programme during 2023/24.



Although the MTFP recognises additional Scottish Government funding to support Adult Social Care services, the expansion of free school meals and the impact of pay awards across both teaching and non-teaching staff, core grants did not keep pace with inflationary pressures and North Ayrshire continues to be impacted by reducing allocations reflecting falling population indicators relative to other authorities. Future funding projections have been predicated on further anticipated reductions in government grant levels combined with increasing expenditure requirements driven by inflationary pressures, socio economic and demographic pressures and increasing revenue costs of supporting the Council's capital investment programmes.

The MTFP recognises that the Council continues to face significant financial challenges in the medium and longer term. However, work is underway through the financial framework and the Sustainable Change Programme to address these challenges and ensure financial sustainability and the delivery of services to the residents of North Ayrshire.

In addition to the General Fund MTFP, the Council has approved the Housing Revenue Account (HRA) budget for 2023/24 of £57.967m.

Following a tenant consultation, it was determined that an average rent increase of 6.42% was required to address the impact of high levels of inflation whilst protecting the levels of investment in our housing stock. This followed a comprehensive review designed to keep any rent increase for 2023/24 and future years as low as possible, minimising the financial impact on our tenants.

### **Capital**

North Ayrshire Council has ambitious plans to deliver significant capital investment across housing, schools, economic development and infrastructure. This includes working in partnership with East Ayrshire, South Ayrshire, the UK and Scottish Government to deliver the Ayrshire Growth Deal which will see the regeneration of the region through investment in strategic infrastructure across various sectors, including life sciences, tourism, manufacturing and aerospace.

The Council has approved a refreshed General Fund Capital Investment Programme covering the period up to 2030/31 which will result in total investment of over £434.071m aligned to the Council's key priorities, as set out in the Council Plan 2019-2024, asset management plans and our refreshed Capital Investment Strategy.

The construction industry has reported significant, ongoing inflationary pressures linked to a number of factors, including upward pressure on input costs linked to international externalities, such as the war in Ukraine and its impact on global supply chains; material and labour shortages; and increased demand linked to reduced contractor availability. This has resulted in a number of increased cost risks being identified across the Capital Investment Programme. At the same time, increasing borrowing costs linked to interest rate rises have resulted in additional revenue costs which have been built into the MTFP, including the application of the recurring element arising from the revised accounting arrangements for service concession contracts.

As well as the reprofiling of £77.874m of planned expenditure, delayed due to the impact of external factors, the Capital Investment Programme has been updated to reflect changes to capital funding and updated spending profiles for existing projects including:

- ❖ Additional Scottish Government funding of £21.547m combined with further Council investment of £4.310m to support the Millport Coastal Flood Protection scheme;
- ❖ Additional investment of £23.402m to address the impact of construction industry inflation on the Ardrossan Community Campus and Ardrossan North Shore projects, to be supported by additional Scottish Government revenue support of £14.916m over the 25 year funding cycle;
- ❖ Additional cost projections of £8.979m in relation to the Montgomerie Park School project; and
- ❖ Additional cost projections of £0.930m in relation to the Largs Promenade Seawall project.

The affordability of the General Fund Capital Investment Programme has been supported through the incremental increase in revenue funding and the application of available reserves over the remaining period of the programme.

Following a review of the HRA 30 year Business Plan, an HRA Capital Programme of £172.316m has been approved for 2023/24. This will be funded through a combination of Capital Funded from Current Revenue (CFCR), Scottish Government grants, prudential borrowing, and the application of earmarked reserves.



The approved Programme will deliver investment to:

- ❖ Maintain the Scottish Housing Quality Standard, incorporating the Energy Efficiency Standard for Social Housing;
- ❖ Tackle climate change and achieve a net-zero housing stock;
- ❖ Delivery of a further 196 new build houses, supporting the delivery of 1,625 units of new build housing by 2028; and
- ❖ Continue the Sheltered Housing Reprovisioning Programme to refurbish our sheltered housing complexes.

### **Sustainable Change Programme**

Progress continues to be made in developing the Council's ambitious Sustainable Change Programme, aligned to the Council's priorities and set within the context of the Council Plan and our Community Wealth Building Strategy.

It is important that a pipeline of activity continues to be identified, with a primary focus on generating financial efficiencies to help address the significant financial pressures across the MTFP. The programme is subject to regular review and monitoring. The current workstreams include:

- ❖ Use of Land and Property Assets;
- ❖ Transport and Travel efficiencies and decarbonisation of fleet;
- ❖ Sustainability initiatives including major renewable energy investment; and
- ❖ Accessing Our Council and Financial Inclusion.

### **Climate Change**

The next iteration of the Council's route map to 2030, 'Sustainable North Ayrshire', is being developed, with a series of community and business engagement sessions planned for Quarter 2 of 2023/24.

The strategy is expected to take a more robust focus on community priorities and actions and will be supported by a range of deliverable actions and strategies, including:

- ❖ Delivery of the two Council-owned solar farms on former landfill sites at Nethermains between Kilwinning and Irvine, and at Shewalton in Irvine;
- ❖ Development of options for a third solar PV farm;
- ❖ Investigation into green hydrogen generation;
- ❖ Ongoing delivery of energy efficiency measures to households through our Energy Smart scheme, supporting residents impacted by the cost of living crisis;
- ❖ Progress the delivery of our [Tree Planting Strategy](#) through the planting of 17,632 new trees next to Kilbirnie Loch;
- ❖ The development of a pan Ayrshire Energy Masterplan to identify investment needs across North, East and South Ayrshire, to achieve a just transition to net zero carbon emissions;
- ❖ The development of a Local Heat and Energy Efficiency Strategy to identify areas of high heat demand and remove energy efficiency as a driver for fuel poverty;
- ❖ Implementation of carbon accounting; and
- ❖ Installation of energy efficiency improvements across our non-domestic estate.

In addition, the Council has recently launched our ECO4 Flex programme to allow access to energy efficiency improvements for residents in privately owned or rented housing. The programme will be delivered in partnership with Green Home Systems and allows residents to access free and low-cost energy efficiency measures such as insulation, renewable heating, and solar panels.

### **Risks**

North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.

The most significant risks are identified through the Council's [Strategic Risk Register](#) recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks.

The Council reviews and updates the Strategic Risk Register on an annual basis. North Ayrshire Council has identified 8 risks which have been classified as either High or Very High.



Council Services have identified high level strategic actions within their planning for 2022/23 to help the Council mitigate against these strategic risks.

Those risks classified as Very High are as follows:

	Financial Environment	Inequalities	National Care Service
Risks	<p>The level of funding for local government will require North Ayrshire Council to take increasingly difficult and challenging decisions to ensure that service delivery and investment is aligned to available resources.</p> <p>The continuation of single year settlements makes effective medium and long term financial planning challenging.</p>	<p>Residents of North Ayrshire and, in particular, certain excluded groups will experience increasing levels of poverty and its effects as a result of the economic situation and Covid-19.</p> <p>Health inequality is closely linked to poverty, employment and people's earliest experiences as children, and will increase.</p> <p>A larger proportion of population is projected to be not economically active in future.</p>	<p>Uncertainty around future delivery models and the scope of the National Care Service, leading to uncertainty around the level of local authority resources which will be transferred and the level of funding to cover the remaining local authority services.</p> <p>Arrangements for Children's Services to be determined. Timescales for implementation are tight.</p>
Impact	<p>If funding does not keep pace with demand and costs, there will be a reduction in some service areas, increasing risks for users.</p>	<p>Increased demand for services, potential increase in crisis interventions and negative impact on local economy.</p>	<p>Impact on local government funding. Loss of whole service approach. Staff uncertainty. Impact on existing commitments.</p>
Mitigation and Controls	<p>Robust monitoring of the Revenue and Capital budgets.</p> <p>Development of the Long Term Financial Outlook to 2030/31 and the Medium Term Financial Outlook 2023/24 to 2025/26.</p> <p>Approval of the General Services Revenue Estimates 2023/24 to 2025/26, including efficiencies and savings, investment proposals and the planned application of reserves and service concession flexibilities.</p>	<p>Tackling inequalities is a strategic priority of the Community Planning Partnership (CPP), the Council and the HSCP.</p> <p>A new Local Outcomes Improvement Plan has been developed with the purpose of reducing inequalities.</p> <p>A new Child Poverty and Cost of Living Board is chaired by the Council Leader. Actions to tackle inequality are set out in the HSCP Strategic Plan and Partnership Pledge.</p>	<p>HSCP engagement on proposals for National Care Service, including response to national consultation and participation in the National Care Service Forum.</p> <p>Internal HSCP engagement between lead professionals, Senior Managers and the Partnership Senior Management Team.</p>

## RAAC

Reinforced autoclaved aerated concrete (RAAC) is a reinforced version of autoclaved aerated concrete commonly used in roofing and wall construction. Following industry wide concerns around potential structural weakness of properties constructed using RAAC, the Council is currently undertaking a review of the structural integrity of its property estate.

Initial surveys have identified the presence of RAAC within the roof structures of two properties operated by North Ayrshire Council and the affected areas have been removed from use as a precautionary measure. Further, more detailed, survey work has been commissioned with a view to determining what mitigating actions may be required in relation to this.



## Supplementary Information

### 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 £0.039m resulting in an accumulated surplus as at 31 March 2023 of £2.139m. Details of income and expenditure accounts and balance sheets can be found on page 48 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 48 of these accounts. Overall, the Trust Funds reported an in year surplus of £0.009m resulting in an accumulated surplus as at 31 March 2023 of £0.385m. 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.

### 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 £61.328m. 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 90.

## 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](#).



**Craig Hatton**

Craig Hatton  
Chief Executive  
14 November 2023



**Marie Burns**

Councillor Marie Burns  
Leader of the Council  
14 November 2023



**Mark Boyd**

Mark Boyd  
Head of Finance  
14 November 2023



# 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); and
- To approve the Statement of Accounts.



**Marie Burns**

Councillor Marie Burns  
Leader of the Council  
14 November 2023

## 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 2023.



**Mark Boyd**

Mark Boyd  
Head of Service, Finance  
14 November 2023



# 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 2022/23 the salary for the Leader of North Ayrshire Council was set at £39,148 (2021/22: £37,213) and the salary for the Provost was set at £29,361 (2021/22: £27,910), 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 2022/23, the maximum salary which could be paid to a Senior Councillor was £29,361 (2021/22: £27,910) with the maximum number of Senior Councillors set at 14. The total remuneration for Senior Councillors (excluding the Provost and Leader) should not exceed £342,524 (2021/22: £325,598).

As at 31 March 2023 the Council had 10 Senior Councillors (2021/22: 9). The annual salaries for the Depute Leader and the Leader of largest minority party were set at £29,361 (2021/22: £27,910), the maximum level. The remaining Senior Councillors annual salary was set at £24,468 (2021/22: £23,257), and total remuneration of £261,014 (2021/22: £219,339).

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 [SPFO](#).

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 2022/23 £	Total Remuneration 2021/22 £
<b>Marie Burns</b> Leader of the Council	18 May 2022	March 2023	36,997	27,910
Leader of the Largest Minority & Chair, Audit and Scrutiny Committee	01 April 2022	04 May 2022		
<b>Anthea Dickson</b> Provost	18 May 2022	March 2023	25,580	0
<b>Shaun Macaulay</b> Depute Leader of the Council	18 May 2022	March 2023	25,580	0
<b>John Sweeney</b> Depute Provost	18 May 2022	March 2023	21,315	0
<b>Tom Marshall</b> Leader of the Largest Minority Chair, Planning Committee	18 May 2022 01 April 2021	March 2023 01 February 2022	25,580	21,139
<b>Scott Davidson</b> Cabinet Member	18 May 2022	24 January 2023	16,681	0
<b>Tony Gurney</b> Cabinet Member	18 May 2022	March 2023	21,315	0
<b>Alan Hill</b> Cabinet Member	18 May 2022	March 2023	21,315	0
<b>Margaret Johnson</b> Cabinet Member	18 May 2022	March 2023	21,315	0
<b>Christina Larsen</b> Cabinet Member Chair, Planning Committee	18 May 2022 01 April 2022	March 2023 04 May 2022	23,725	2,838
<b>John Bell</b> Chair, Audit and Scrutiny Committee Depute Leader of the Council	18 May 2022 01 April 2022	March 2023 04 May 2022	24,206	27,910
<b>Eleanor Collier</b> Chair, Licensing Committee	18 May 2022	March 2023	21,315	0
<b>Robert Foster</b> Chair, Planning Committee Cabinet Member	18 May 2022 01 April 2022	March 2023 04 May 2022	23,725	23,257
<b>Joe Cullinane</b> Leader of the Council	01 April 2022	04 May 2022	3,855	37,213
<b>Ian Clarkson</b> Provost	01 April 2022	04 May 2022	2,891	27,910
<b>Robert Barr</b> Depute Provost	01 April 2022	04 May 2022	2,410	23,257
<b>Alex Gallagher</b> Cabinet Member	01 April 2022	04 May 2022	2,410	23,257
<b>James Montgomerie</b> Cabinet Member	01 April 2022	04 May 2022	2,410	23,257
<b>Louise McPhater</b> Cabinet Member	01 April 2022	04 May 2022	2,410	23,257
<b>Ronnie McNicol</b> Chair, Licensing Committee	01 April 2022	04 May 2022	2,410	23,257
<b>Total</b>			<b>327,445</b>	<b>284,462</b>



Remuneration paid to the Provost and Leader of the Council in 2022/23 is £66,433 (2021/22: £65,123). Total remuneration to the remaining 10 Senior Councillors is £261,011 (2021/22: £219,339).

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/152 sets the salary for the Chief Executive of North Ayrshire Council for the period 2022/23. 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 2a.

During 2022/23, the Chief Executive and the Executive Director (Communities) held positions of Director in North Ayrshire Ventures Trust. There was no remuneration associated with these positions.

Table 2a: Remuneration of Senior Employees of the Council

Name and Post Title	Date From	Date To	Salary and Allowances 2022/23 £	Compensation for loss of employment 2022/23 £	Total Remuneration 2022/23 £	Total Remuneration 2021/22 £
<b>Craig Hatton</b> Chief Executive	April 2022	March 2023	151,571	0	151,571	144,553
<b>Craig Hatton</b> Returning Officer/Counting Officer	April 2022	March 2023	4,954	0	4,954	6,881
<b>Audrey Sutton</b> Executive Director, Communities & Education	April 2022	March 2023	121,710	0	121,710	116,114
<b>Russell McCutcheon</b> Executive Director, Place	April 2022	March 2023	121,710	0	121,710	116,114
<b>Karen Yeomans</b> Director, Growth & Investment (Full Year Equivalent £121,710)	April 2022	31 Oct 2022	67,617	91,463	159,080	116,114
<b>Aileen Craig</b> Monitoring Officer	April 2022	March 2023	93,413	0	93,413	62,680
<b>Andrew McClelland</b> Chief Education Officer (Full Year Equivalent £98,663)	01 Mar 2023	March 2023	8,222	0	8,222	0
<b>Scott Hunter</b> Chief Social Work Officer	April 2022	March 2023	93,413	0	93,413	25,465
<b>James Miller</b> Chief Planning Officer	April 2022	March 2023	70,738	0	70,738	67,535
<b>Mark Boyd</b> Section 95 Officer	April 2022	March 2023	98,663	0	98,663	94,415
<b>Total</b>			832,011	91,463	923,474	749,871

During 2022/23, North Ayrshire Leisure Limited (NALL) has been reclassified as a subsidiary of the Council. In accordance with the regulations, details of the Remuneration of the Chief Officer are shown in Table 2b.



Table 2b: Remuneration of Senior Employees of the Subsidiary Bodies

Name and Post Title	Date From	Date To	Salary and Allowances 2022/23 £	Total Remuneration 2022/23 £	Total Remuneration 2021/22 £
<b>Malcolm McPhail</b>					
Chief Executive	20 July 2021	March 2023	95,797	95,797	53,440
North Ayrshire Leisure Limited					

## 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 2021/22 and 2022/23 are shown in Table 3.

Table 3: Tier and Member Contribution Rates

Whole time pay bandings 2021/22	Employee Contribution rate	Whole time pay bandings 2022/23
On earnings up to and including £22,300	5.50%	On earnings up to and including £23,000
On earnings above £22,301 and up to £27,300	7.25%	On earnings above £23,001 and up to £28,100
On earnings above £27,301 and up to £37,400	8.50%	On earnings above £28,101 and up to £38,600
On earnings above £37,401 and up to £49,900	9.50%	On earnings above £38,601 and up to £51,400
On earnings above £49,901	12.00%	On earnings above £51,401

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 2023 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 2023	For year to 31 March 2022	As at 31 March 2023		Difference from 31 March 2022	
			Pension £	Lump Sum £	Pension £	Lump Sum £
Alan Hill	4,114	0	7,375	2,281	865	304
Anthea Dickson	4,937	0	6,299	323	878	53
Christina Larsen	4,579	3,700	2,369	0	547	0
Eleanor Collier	4,114	0	406	0	406	0
Ian Clarkson	558	5,387	12,184	2,413	5,417	636
James Montgomerie	465	4,489	5,254	0	695	0
Joe Cullinane	744	7,182	6,954	0	855	0
John Bell	4,672	5,387	8,382	2,398	1,295	392
John Sweeney	4,114	0	2,347	0	537	0
Louise McPhater	465	4,489	3,370	0	793	0
Margaret Johnson	4,114	0	406	0	406	0
Robert Barr	465	4,489	7,499	0	2,913	0
Robert Foster	4,579	4,489	2,817	0	561	0
Ronnie McNicol	465	4,489	9,087	1,337	2,923	128
Scott Davidson	3,220	0	2,337	0	0	0
Shaun Macaulay	4,937	0	2,433	0	623	0
Tony Gurney	4,114	0	6,729	2,010	878	297
<b>Total</b>	<b>50,656</b>	<b>44,101</b>				

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

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 2023 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 2023	For year to 31 March 2022	As at 31 March 2023		Difference from 31 March 2022	
	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £
<b>Craig Hatton</b> Chief Executive	30,209	29,227	98,512	0	7,511	0
<b>Audrey Sutton</b> Executive Director, Communities & Education	23,490	22,410	44,941	47,692	4,148	2,271
<b>Russell McCutcheon</b> Executive Director, Place	23,490	22,410	64,570	106,087	5,079	5,051
<b>Karen Yeomans</b> Director, Growth & Investment	13,050	22,410	23,665	0	1,888	0
<b>Aileen Craig</b> Monitoring Officer	18,029	15,663	30,633	30,081	3,049	0
<b>Andrew McClelland</b> Chief Education Officer	1,587	0	10,955	0	10,955	0
<b>Scott Hunter</b> Chief Social Work Officer	18,029	4,915	2,200	0	1,664	0
<b>James Miller</b> Chief Planning Officer	13,605	13,034	44,416	80,322	3,081	3,259
<b>Mark Boyd</b> Section 95 Officer	19,042	18,222	33,815	31,206	3,184	1,393
<b>Total</b>	<b>160,531</b>	<b>148,291</b>				

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

The Chief Executive of NALL is not a member of the pension scheme.

## 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. There were no non-cash expenses or benefits in kind paid during 2022-23.

Table 7: Total Remuneration Paid to Councillors

Type of Remuneration	2022/23		2021/22	
	£	£	£	£
Salaries	720,049		685,183	
Expenses	14,979		5,018	
<b>Total</b>	<b>735,028</b>		<b>690,201</b>	

The [Annual return of Councillors' salaries and expenses for 2022/23](#) 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.



## 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.

Remuneration Bands	Number of Teachers		Number of Other Council Staff	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
£50,000-£54,999	88	88	78	58
£55,000-£59,999	82	60	41	11
£60,000-£64,999	55	40	14	25
£65,000-£69,999	45	11	31	15
£70,000-£74,999	10	4	11	7
£75,000-£79,999	1	6	7	1
£80,000-£84,999	4	2	0	2
£85,000-£89,999	4	0	1	8
£90,000-£94,999	1	1	10	1
£95,000-£99,999	3	1	1	0
£100,000-£104,999	0	1	0	1
£115,000-£119,999	0	0	0	3
£120,000-£124,999	0	0	2	0
£140,000-£144,999	0	0	0	1
£150,000-£154,999	0	0	1	0
£155,000-£159,999	0	0	1	0
<b>Total</b>	<b>293</b>	<b>214</b>	<b>198</b>	<b>133</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 2022/23, 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 payments and 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).

The figures include employees who have committed to leave during 2022/23, although their actual leaving date may be later than 31 March 2023. Table 9 summarises the impact of the exit packages:

Band	2022/23		2021/22	
	Number of Employees	Value £	Number of Employees	Value £
£0-£20,000	4	41,479	8	119,364
£20,001-£40,000	5	120,006	9	269,739
£40,001-£60,000	1	54,985	3	146,684
£60,001-£80,000	0	0	5	345,209
£80,001-£100,000	3	283,763	5	501,220
£100,001-£150,000	1	107,063	0	0
£150,001-£200,000	1	190,212	0	0
£200,001 +	1	210,308	0	0
	<b>16</b>	<b>1,007,816</b>	<b>30</b>	<b>1,382,216</b>



## 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 2022/23, 139 employees (2021/22: 135) were relevant trade union officials and 36 of these employees (2021/22: 33) spent a proportion of their working hours on facility time:

Number of Employees who were relevant union official during the relevant period	Full-time equivalent (FTE) employee number
139	128.76
Percentage of Time	Number of Employees (Headcount)
0%	103
1% - 50%	33
51% - 99%	2
100%	1

The percentage of the total paybill spent on facility time was 0.06% (2021/22: 0.07%).

Total Pay Bill spent on Facility Time	
Total cost of Facility Time	£180,484
Total Pay Bill	£290,017,417
Percentage of Total Pay Bill spent on Facility Time	0.06%

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 2.25% (2020/21: 1.7%).

Time spent on Trade Union Activities	
Time spent on Trade Union Activities as a percentage of Total paid Facility Time hours	2.25%

The [Trade Union Facility Time Statement for 2022/23](#) is available for any member of the public to view on the Council's website.



**Craig Hatton**  
Craig Hatton  
Chief Executive  
14 November 2023



**Marie Burns**  
Councillor Marie Burns  
Leader of the Council  
14 November 2023

# 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.

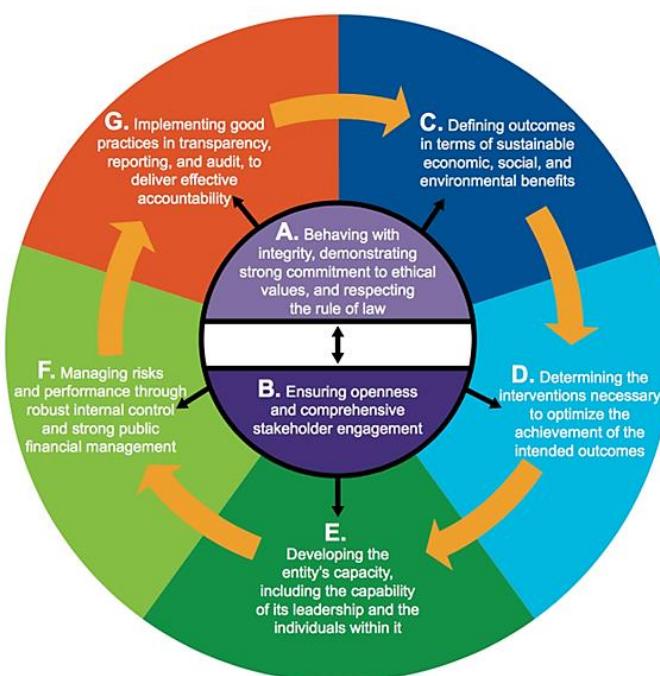
## The Purpose of the Governance Framework

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 Council's Framework is built around the seven core principles and 21 sub-principles that set out the key building blocks of good governance.





The key features of the governance framework that were in place during 2022/23 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 included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Depute Leader of an Opposition party, 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 cross-party Policy Advisory Panel assists in the development 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 following the local government elections in May 2022.
- 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 integrated Health and Social Care Partnership (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. Regular interim reports are provided to both Cabinet and the Audit and Scrutiny Committee on progress towards meeting the Council Plan priorities.
- Progress with the Council's Change and Transformation programme continues to be governed and monitored through the Transformation Board which is chaired by the Chief Executive.
- 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 2021-24 demonstrates how the Council supports a culture of continuous improvement and how the work of every employee is crucial to the achievement of the overall vision of a North Ayrshire that is Fair For All. Regular reporting to Elected Members takes place, and a wide range of performance information is available on the North Ayrshire Performance Dashboard.
- The Council has adopted a 'Code of Conduct' for all 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 Policy and Strategy: "Risk Focus". The Council's strategic risk register is refreshed annually and for 2022/23 was approved by Cabinet in June 2022.
- Each Head of Service has a Workforce Plan in place for their portfolio of services which considers challenges and issues, the transformation agenda and to support career development and succession planning.
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for strategic leaders and first line and middle managers across the Council, through the Leadership Academy approach. A full Member's induction programme took place during May 2022 for all recently Elected Members.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to their team and the Council, their wellbeing, and any development needs that contribute towards meeting the team's objectives or the employee's career aspirations.
- The ICT Asset Management Approach 2021-2024 is linked to the ICT Technology Strategy and depicts the impact on hardware, software and application assets. The Council's approach to asset management planning is based on CIPFA guidance which covers six core classes of assets: property, open space, housing, roads, fleet, and ICT.



- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, 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 2021/22 to 2030/31. 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. This is further supported through an Information Governance Procurement Framework. A corporate training module is in place to support ongoing training, development and awareness which is completed on an annual basis.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation. This was updated in January 2023.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- 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 31st March 2023.

## 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 on 'The Role of the Chief Financial Officer in Local Government (2016)'.

Regarding 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 (Audit, Fraud, Safety and Risk) and reports from the Council's external auditors, Audit Scotland, and other review agencies.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Risk) 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 planned activity and complies with the Public Sector Internal Audit Standards (PSIAS) in conducting its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2022/23.

As detailed in the 'Internal Audit Charter', most recently approved by the Audit and Scrutiny Committee in March 2023, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety and Risk) 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. This was reported to the Audit and Scrutiny Committee on 30 May 2023.

The Internal Audit Annual Report 2022/23 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 (Audit, Fraud, Safety and Risk) that the Council's systems of internal control continue to provide reasonable assurance against loss.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Head of Internal Audit (2019)'.

## Significant Governance Developments during 2022/23

The North Ayrshire (Electoral Arrangements) Regulations 2021 were agreed by Scottish Ministers in October 2021 and resulting in the election of 33 Elected Members across 9 Electoral Wards in May 2022. The election saw a Scottish National Party minority leadership of the Council, with the Scottish Conservative and Unionist Party forming the main opposition.

In June 2022, Council approved the hybrid approach to meetings of Council and Committees. Meetings are predominantly held on a physical basis but with provision for remote attendance by Elected Members. The Council has full openness and transparency and therefore meetings are filmed, recorded and live streamed to the Council's internet site and available for repeated viewing.

During Covid-19, in-person community engagement events were restricted. In May 2022, following the easing of restrictions, the Audit and Scrutiny Committee approved the recommended diverse range of engagement methods for use at future events.

In November 2022, Cabinet approved the establishment of a refreshed cross-party Policy Advisory Panel chaired by the Depute Leader of the Council. The aim of the Panel is to assist in the development of strategic policy proposals being prepared for consideration by Cabinet. The Policy Advisory will meet on a quarterly basis, with the ability to be flexible around timing depending on the level of substantive business.

A Long-Term Financial Outlook (covering the period 2021/22 to 2030/31) was approved by the Council in December 2020. This is underpinned by a Medium-term Financial Outlook (MTFO) which is updated annually. The most recent MTFO, covering 2023/24-2025/26, was approved by the Council in November 2022. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The General Services Revenue Estimates 2023/24-2025/26 and Capital Investment Programme 2023/24-2030/31 were approved by Council in March 2023.



The Audit and Scrutiny Committee approved a revision to the Council's Counter Fraud and Corruption Strategy in September 2022. The strategy sets out the Council's zero tolerance approach to fraudulent or corrupt activity, and how the Council aims to address the fraud risk it faces.

A management restructure took place in January 2023 to align Growth and Investment with Economy and Regeneration, with those services being incorporated within the Place Directorate. This supports the vast amount of connected regeneration activity across the Council and provides better strategic alignment to the Council's political structure.

Plans were announced by the UK Government in April 2022 to replace European Union funding with the UK Shared Prosperity Fund (SPF). Cabinet has approved the North Ayrshire Shared Prosperity Fund Business Plan for 2022-25. The plan includes arrangements for good governance with lead officers identified for the four thematic groups of Community & Place, People & Skills, Supporting Local Business, and Multiply. The SPF Governance Group will meet on a monthly basis.

The Community Planning Partnership has recently developed a new Local Outcomes Improvement Plan (LOIP) 2022-30 focussed on three key themes of Wellbeing, Work and World. The plan sets out a strategic plan of what the partners in North Ayrshire want to achieve when they work together. This also brings together key partnership plans and strategies including: community wealth building, child poverty duties, public health priorities, Caring for Ayrshire, The Promise, Islands Plans, Community Justice Ayrshire Outcomes Improvement Plan, and Safer North Ayrshire Strategy. An annual report is produced at the end of each year to show the progress towards achieving the outcomes.

Open, transparent, and participatory government is fundamental to democracy, and the Council is committed to involving local people and communities in taking decisions which affect their lives. The key democratic means for increasing the direct influence of local people in how they are governed is Locality Planning. In November 2022, Council approved the updated Terms of Reference and Standing Orders which regulate the operation of Locality Partnerships (LPs). In addition, enhanced guidance has been developed for chairs, vice-chairs and members of LPs to ensure that focus, intended impact and visibility of Locality Planning is clear and promoted within communities.

A need was identified nationally to better align and integrate an employability support system, and this was outlined in 'No One Left Behind'. As a result of this, Local Employability Partnerships (LEPs) were established with responsibility for integration and alignment of local services. The LEP has developed a delivery plan to deliver transformational changes which follow the national framework principles. The North Ayrshire 'No One Left Behind' Delivery Plan 2022-26 was approved by Cabinet in June 2022. This includes partnership structures and governance arrangements which will deliver transparency and accountability.

In June 2022, Cabinet approved the North Ayrshire Child Poverty Report 2021/22 and Action Plan for 2022/23. This work also includes the development of strategy to tackle child poverty, covering the period 2023-26. This is underpinned by the introduction of a 'Tackling Child Poverty' Board to agree, monitor and deliver the local strategy. North Ayrshire has also been proposed as a 'Pathfinder' local authority in tackling child poverty, which will seek to commence work on a new phased approach to whole system change.

## Planned Actions for 2023/24

The Council has a number of planned actions for 2023/24 which will help to further strengthen the governance framework:

- Development of the new Council Plan covering the period 2023 to 2028.
- Develop the Council's fourth Environmental Sustainability & Climate Change Strategy (ESCCS 4).
- Major review of the Council's 10 Year capital investment programme.
- Early progression of the Council's Medium Term Financial Plan covering the period 2024/25 to 2026/27 to address the significant financial challenges facing the Council. This includes the planned delivery of a major Workforce Planning programme as well as the identification of further Transformation and Change activity.
- Production of an updated Digital Strategy to reflect lessons learned from the pandemic.
- Working with the newly appointed external auditors (Audit Scotland) to support all Audit and Best Value work through the course of the year and beyond.
- Relaunch of the Council's Procurement Board to further strengthen procurement compliance arrangements across the Council and to deliver Best Value with procurement activity.



## Assurance

Subject to the above, and based on the assurances provided, we consider the governance and internal control environment operating during 2022/23 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.



**Craig Hatton**  
Craig Hatton  
Chief Executive  
14 November 2023



**Marie Burns**  
Councillor Marie Burns  
Leader of the Council  
14 November 2023



## Independent Auditor's Report

### Independent Auditor's Report to the members of North Ayrshire Council and the Accounts Commission

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of North Ayrshire Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973.

The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Common Good Funds and Trusts, the Non-Domestic Rate Account, the Council Tax Account, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).



## Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## Responsibilities of the Head of Service (Finance) and Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Service (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 Service (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 Service (Finance) is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

My 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 my 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Head of Service (Finance) as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Head of Service (Finance) concerning the policies and procedures of the council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.



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 my auditor's report.

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

## Other information

The Head of Service (Finance) is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## Conclusions on wider scope responsibilities

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



## Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Fiona Mitchell-Knight

Fiona Mitchell-Knight FCA  
Audit Director  
Audit Scotland  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow, G2 1BT

14 November 2023



## 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 2021/22 figures have been restated to reflect current year changes to the internal reporting structure. There is no change in the Net Cost of Services reported for the year.

	Notes	North Ayrshire Council 2022/23			Group 2022/23	North Ayrshire Council 2021/22 (Restated)			Group 2021/22
		Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m	Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m
Chief Executive		31.350	(2.860)	28.490	28.490	28.655	(2.730)	25.925	25.925
Communities		198.819	(30.965)	167.854	168.809	181.239	(28.476)	152.763	152.871
Place		122.834	(39.016)	83.818	83.818	129.054	(34.982)	94.072	94.072
Health and Social Care Partnership		303.511	(172.599)	130.912	130.912	275.208	(157.371)	117.837	117.837
Other Corporate Items		45.316	(36.780)	8.536	8.536	46.767	(38.406)	8.361	8.361
<b>Cost Of General Fund Services</b>		<b>701.830</b>	<b>(282.220)</b>	<b>419.610</b>	<b>420.565</b>	<b>660.923</b>	<b>(261.965)</b>	<b>398.958</b>	<b>399.066</b>
Housing Revenue Account		53.140	(54.025)	(0.885)	(0.885)	42.122	(51.643)	(9.521)	(9.521)
<b>Net Cost of Services</b>		<b>754.970</b>	<b>(336.245)</b>	<b>418.725</b>	<b>419.680</b>	<b>703.045</b>	<b>(313.608)</b>	<b>389.437</b>	<b>389.545</b>
Associates and joint ventures accounted for on an equity basis		0	0	0	5.790	0	0	0	(10.473)
Other Operating Expenditure and Income	4	0.513	0	0.513	0.513	0	(0.006)	(0.006)	(0.006)
Financing and Investment Income and Expenditure	3	55.225	(34.539)	20.686	20.541	45.897	(23.127)	22.770	22.767
Taxation and Non-Specific Grant Income	7	0	(416.222)	(416.222)	(416.222)	0	(399.234)	(399.234)	(399.234)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>810.708</b>	<b>(787.006)</b>	<b>23.702</b>	<b>30.302</b>	<b>748.942</b>	<b>(735.975)</b>	<b>12.967</b>	<b>2.599</b>
(Surplus) / Deficit on revaluation of fixed assets	30	0	0	(72.549)	(72.452)	0	0	(12.781)	(12.851)
Remeasurement of the Net Defined Pension Asset/Liability	30	0	0	(126.308)	(136.444)	0	0	(167.150)	(167.150)
Share of other comprehensive expenditure and income of associates and joint ventures		0	0	0	1.184	0	0	0	(6.243)
<b>Other Comprehensive Income and Expenditure</b>		0	0	(198.857)	(207.712)	0	0	(179.931)	(186.244)
<b>Total Comprehensive Income and Expenditure</b>		0	0	(175.155)	(177.410)	0	0	(166.964)	(183.645)



## 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	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Group Entity Reserves	Total Group Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2021</b>	11, 30	<b>66.044</b>	<b>14.221</b>	<b>6.500</b>	<b>86.765</b>	<b>468.106</b>	<b>554.871</b>	<b>42.392</b>	<b>597.263</b>
Total Comprehensive Expenditure and Income		(22.946)	9.979	0	(12.967)	179.931	<b>166.964</b>	<b>16.681</b>	<b>183.645</b>
<i>Adjustments between accounting basis and funding basis under regulations</i>	10	49.188	(8.584)	(1.161)	<b>39.443</b>	(39.443)	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase/(decrease) before transfers to other statutory reserves</b>		<b>26.242</b>	<b>1.395</b>	<b>(1.161)</b>	<b>26.476</b>	<b>140.488</b>	<b>166.964</b>	<b>16.681</b>	<b>183.645</b>
Transfers to/(from) other statutory reserves		(6.388)	0	6.388	0	0	0	0	0
<b>Net Increase/(Decrease)</b>		<b>19.854</b>	<b>1.395</b>	<b>5.227</b>	<b>26.476</b>	<b>140.488</b>	<b>166.964</b>	<b>16.681</b>	<b>183.645</b>
<b>Balance at 31 March 2022</b>	11, 30	<b>85.898</b>	<b>15.616</b>	<b>11.727</b>	<b>113.241</b>	<b>608.594</b>	<b>721.835</b>	<b>59.073</b>	<b>780.908</b>
Total Comprehensive Expenditure and Income		(22.172)	(1.530)	0	(23.702)	198.857	<b>175.155</b>	2.255	<b>177.410</b>
<i>Adjustments between accounting basis and funding basis under regulations</i>	10	24.996	(0.401)	0	<b>24.595</b>	(24.595)	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net increase/(decrease) before transfers to other statutory reserves</b>		<b>2.824</b>	<b>(1.931)</b>	<b>0</b>	<b>0.893</b>	<b>174.262</b>	<b>175.155</b>	<b>2.255</b>	<b>177.410</b>
Transfers to/(from) other statutory reserves		(0.153)	0	0.153	<b>0.000</b>	0	<b>0</b>	<b>0</b>	<b>0.000</b>
Adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility		21.546	0	0	<b>21.546</b>	(21.546)	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Increase/(Decrease)</b>		<b>24.217</b>	<b>(1.931)</b>	<b>0.153</b>	<b>22.439</b>	<b>152.716</b>	<b>175.155</b>	<b>2.255</b>	<b>177.410</b>
<b>Balance at 31 March 2023</b>	11, 30	<b>110.115</b>	<b>13.685</b>	<b>11.880</b>	<b>135.680</b>	<b>761.310</b>	<b>896.990</b>	<b>61.328</b>	<b>958.318</b>



## 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 as either 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, or Unusable Reserves, those reserves that the Council is not able to use to provide services including those reserves that hold unrealised gains or losses, 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 2023 £m	Group 31 March 2023 £m	As at 31 March 2022 £m	Group 31 March 2022 £m
Property, Plant & Equipment	12	1,231.513	1,232.279	1,138.988	1,138.988
Investment Property	38	0	4.000	0	4.097
Heritage Assets	15	1.029	1.029	1.058	1.058
Intangible Assets	16	0.108	0.108	0.186	0.186
Long Term Investments	38	0	0.153	0	0.154
Investment in Associates and Joint Ventures	38	0	37.935	0	46.555
Net Pension Fund Assets	29	29.324	39.231	0	0
Long Term Debtors	19	0.044	0.044	0.104	0.104
<b>Long Term Assets</b>		<b>1,262.018</b>	<b>1,314.779</b>	<b>1,140.336</b>	<b>1,191.142</b>
Inventories	20	1.517	1.562	2.166	2.166
Assets Held for Sale	14	0.230	0.230	0.375	0.375
Short Term Investments	26	12.048	12.048	16.002	16.002
Short Term Debtors	21	62.115	62.651	73.417	73.167
Cash and Cash Equivalents	37	17.003	17.128	25.836	25.836
<b>Current Assets</b>		<b>92.913</b>	<b>93.619</b>	<b>117.796</b>	<b>117.546</b>
Short Term Borrowing	23	(51.568)	(45.116)	(84.164)	(84.164)
Short Term Creditors	24	(106.559)	(104.996)	(110.870)	(102.353)
Short Term Provisions	25	(1.069)	(1.069)	(1.217)	(1.217)
<b>Current Liabilities</b>		<b>(159.196)</b>	<b>(151.181)</b>	<b>(196.251)</b>	<b>(187.734)</b>
Long Term Borrowing	26	(202.427)	(202.427)	(182.457)	(182.457)
Long Term Creditors	26	(96.318)	(96.472)	(100.139)	(100.139)
Other Long Term Liabilities	29	0	0	(57.450)	(57.450)
<b>Long Term Liabilities</b>		<b>(298.745)</b>	<b>(298.899)</b>	<b>(340.046)</b>	<b>(340.046)</b>
<b>Net Assets</b>		<b>896.990</b>	<b>958.318</b>	<b>721.835</b>	<b>780.908</b>
Usable Reserves	11	135.680	135.680	113.241	113.241
Unusable Reserves	30	761.310	761.310	608.594	608.594
Group Reserves	38	0	61.328	0	59.073
<b>Total Reserves</b>		<b>896.990</b>	<b>958.318</b>	<b>721.835</b>	<b>780.908</b>

The unaudited accounts were issued on 21 June 2023 and the audited accounts were authorised for issue on 14 November 2023.



**Mark Boyd**

Mark Boyd  
Head of Finance  
14 November 2023



## Cash Flow Statement

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.

The Council's share of the cash flows of its associates and joint ventures is disregarded for the purpose of this statement as their reserves are not available to fund services.

	Notes	NAC 2022/23 £m	Group 2022/23 £m	NAC 2021/22 £m	Group 2021/22 £m
Net deficit on the provision of services		23.702	30.302	12.967	2.599
Adjust (surplus) or deficit attributable to Associates and Joint Ventures	38	0	(5.790)	0	10.473
Adjust net (surplus) or deficit on the provision of services for non-cash movements	34	(94.189)	(95.074)	(102.870)	(102.975)
Adjust for items included in the net deficit on the provision of services that are investing and financing activities	34	36.395	36.101	34.636	34.636
<b>Net cash flows from Operating Activities</b>		<b>(34.092)</b>	<b>(34.461)</b>	<b>(55.267)</b>	<b>(55.267)</b>
Investing Activities	35	26.632	26.802	61.061	61.061
Financing Activities	36	16.293	16.367	(1.718)	(1.718)
<b>Net (increase) or decrease in Cash and Cash Equivalents</b>		<b>8.833</b>	<b>8.708</b>	<b>4.076</b>	<b>4.076</b>
Cash and Cash Equivalents at the beginning of the reporting period		(25.836)	(25.836)	(29.912)	(29.912)
<b>Cash and Cash Equivalents at the end of the reporting period</b>	37	<b>(17.003)</b>	<b>(17.128)</b>	<b>(25.836)</b>	<b>(25.836)</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.

	2022/23 £m	2021/22 £m
<b>Income</b>		
Dwelling Rents	(52.488)	(50.598)
Non-dwelling Rents	(0.264)	(0.299)
Other Income	(0.463)	(0.500)
<b>Total Income</b>	<b>(53.215)</b>	<b>(51.397)</b>
<b>Expenditure</b>		
Repairs and Maintenance	19.873	18.031
Supervision and Management	11.179	10.679
Depreciation and Impairment on Non-Current Assets	20.705	19.216
Bad Debts and movement in Bad Debt Provision	0.356	0.325
Rent, Rates, Taxes and Other Charges	0.192	0.012
Sums directed by Scottish Government Ministers that are expenditure in accordance with IFRS	0.025	(0.022)
<b>Total Expenditure</b>	<b>52.330</b>	<b>48.241</b>
<b>Net Income of Services as included in the CIES</b>	<b>(0.885)</b>	<b>(3.156)</b>
Corporate & Democratic Core	0.141	0.131
<b>Net Income for HRA Services</b>	<b>(0.744)</b>	<b>(3.025)</b>
Taxation and Non-Specific Grant Income and Expenditure	(3.197)	(12.105)
(Gain)/Loss on Sale of HRA Non-Current Assets	0.010	(0.004)
Interest Payable and Similar Charges	5.575	5.060
Interest and Investment Income	(0.174)	(0.017)
Pension Interest Cost and Expected Return on Pension Assets	0.060	0.112
<b>(Surplus)/Deficit for the Year on HRA Services</b>	<b>1.530</b>	<b>(9.979)</b>



## Movement on the Housing Revenue Account Statement

	2022/23 £m	2021/22 £m
(Surplus)/Deficit for the Year on HRA Income and Expenditure Statement	1.530	(9.979)
Adjustments between Accounting Basis and Funding Basis under statute	0.401	8.584
<b>Reduction in Year on the HRA</b>	<b>1.931</b>	<b>(1.395)</b>
Balance on the HRA at 1 April 2022	(15.616)	(14.221)
<b>Balance on the HRA at 31 March 2023</b>	<b>(13.685)</b>	<b>(15.616)</b>

## Housing Stock

The Council's total housing stock at 31 March 2023 was 13,253 (13,135 at 31 March 2022) in the following categories:



\*Includes Studios and One Bedroom accommodation

## Statutory Adjustments between Accounting Basis and Funding Basis

	2022/23 £m	2021/22 £m
Gain / (Loss) on sale of HRA non-current assets	(0.010)	0.004
Capital expenditure funded by the HRA	13.283	12.144
Transfer (to)/from the Capital Adjustment Account:		
Depreciation and Impairment	(20.705)	(19.216)
Repayment of Debt	5.372	4.445
Capital grants and contributions that have been applied to capital financing	3.197	12.105
HRA share of contributions to the Pensions Reserve	(1.128)	(1.286)
HRA share of transfer to the Financial Instruments Adjustment Account	0.360	0.341
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	0.032	0.047
<b>Total Adjustments between Accounting Basis and Funding Basis under statute</b>	<b>0.401</b>	<b>8.584</b>

## Other Information

	2022/23	2021/22
Average weekly rent (52 weeks)	£79.73	£75.86
Bad debts written off in respect of former tenants	£0.417m	£0.223m
Total Rent Arrears	£5.413m	£4.427m
Bad Debt Provision - housing rents	£2.590m	£2.111m
Bad Debt Provision - other debtors	£0.831m	£0.891m
Void Rent Loss	£0.294m	£0.262m



## 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. Under the current policy, all properties owned by the Common Good Funds are investment properties and are held to generate an income which can be utilised to benefit the communities covered by each Fund. The income generated from rentals, or the investment of any capital sums held, are utilised to meet any expenditure commitments in relation to the maintenance of the assets or the administration of the Funds. Any balance of income after meeting these expenditure commitments is made available annually for disbursements in the form of grants to groups and individuals based within the relevant communities. Any proposals for the disbursement of funds from the capital balances held by each Common Good Fund requires the approval of North Ayrshire Council.

Details of the properties held by the Common Good Funds are listed on the [Common Good Asset Register](#).

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 2022</b>	<b>0.585</b>	<b>2.440</b>	<b>0.693</b>	<b>0.067</b>	<b>0.016</b>	<b>0.254</b>	<b>4.055</b>
Surplus/(Deficit) For the Year	0.020	0.014	(0.005)	0	(0.001)	0.011	<b>0.039</b>
Surplus on the Disposal of Assets	0	0	0	0	0	0	<b>0</b>
Surplus/(Deficit) on the Revaluation of Fixed Assets	0	0	0.001	0	0	0	<b>0.001</b>
<b>Balance at 31 March 2023</b>	<b>0.605</b>	<b>2.454</b>	<b>0.689</b>	<b>0.067</b>	<b>0.015</b>	<b>0.265</b>	<b>4.095</b>

Income and Expenditure Account	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Income	(0.043)	(0.087)	(0.022)	(0.001)	0	(0.017)	<b>(0.170)</b>
Expenditure	0.023	0.073	0.027	0.001	0.001	0.006	<b>0.131</b>
<b>(Surplus)/Deficit For the Year</b>	<b>(0.020)</b>	<b>(0.014)</b>	<b>0.005</b>	<b>0</b>	<b>0.001</b>	<b>(0.011)</b>	<b>(0.039)</b>
Capital Receipts	0	0	0	0	0	0	0
<b>Surplus Brought Forward</b>	<b>(0.305)</b>	<b>(1.102)</b>	<b>(0.436)</b>	<b>(0.067)</b>	<b>(0.016)</b>	<b>(0.174)</b>	<b>(2.100)</b>
<b>Accumulated Surplus as at 31 March 2023</b>	<b>(0.325)</b>	<b>(1.116)</b>	<b>(0.431)</b>	<b>(0.067)</b>	<b>(0.015)</b>	<b>(0.185)</b>	<b>(2.139)</b>

Balance Sheet at 31 March 2023	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Investment Properties	0.280	1.338	0.258	0	0	0.080	<b>1.956</b>
Cash invested in NAC on behalf of the funds	0.325	1.116	0.431	0.067	0.015	0.185	<b>2.139</b>
	<b>0.605</b>	<b>2.454</b>	<b>0.689</b>	<b>0.067</b>	<b>0.015</b>	<b>0.265</b>	<b>4.095</b>
Unusable Reserves	(0.280)	(1.338)	(0.258)	0	0	(0.080)	<b>(1.956)</b>
Common Good Balance	(0.325)	(1.116)	(0.431)	(0.067)	(0.015)	(0.185)	<b>(2.139)</b>
	<b>(0.605)</b>	<b>(2.454)</b>	<b>(0.689)</b>	<b>(0.067)</b>	<b>(0.015)</b>	<b>(0.265)</b>	<b>(4.095)</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 2022</b>	<b>(0.095)</b>	<b>(0.045)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.192)</b>	<b>(0.042)</b>	<b>(0.376)</b>
Income	(0.008)	(0.001)	0	0	(0.011)	0	<b>(0.020)</b>
Expenditure	0.002	0.001	0	0	0.006	0.002	<b>0.011</b>
<b>(Surplus) / Deficit at 31 March 2023</b>	<b>(0.006)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(0.005)</b>	<b>0.002</b>	<b>(0.009)</b>
<b>Accumulated (surplus) / deficit at 31 March 2023</b>	<b>(0.101)</b>	<b>(0.045)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.197)</b>	<b>(0.040)</b>	<b>(0.385)</b>

Balance Sheet at 31 March 2023	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	0	0	0	0	<b>0.145</b>
Investments	0.013	0	0	0	0.140	0	<b>0.153</b>
Cash invested in NAC on behalf of the Funds	0.088	0.045	0.001	0.001	0.057	0.040	<b>0.232</b>
	<b>0.246</b>	<b>0.045</b>	<b>0.001</b>	<b>0.001</b>	<b>0.197</b>	<b>0.040</b>	<b>0.530</b>
Unusable Reserves	(0.145)	0	0	0	0	0	<b>(0.145)</b>
Trust Fund Balance	(0.101)	(0.045)	(0.001)	(0.001)	(0.197)	(0.040)	<b>(0.385)</b>
	<b>(0.246)</b>	<b>(0.045)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.197)</b>	<b>(0.040)</b>	<b>(0.530)</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.
Douglas Sellers Trust	For the provision of recreational facilities, or the organisation of recreational activities in the Burgh of Irvine.
Anderson Park Trust	For the provision of recreational facilities, or the organisation of recreational activities in the Burgh of Largs.
Margaret Archibald Trust	For the relief of those in need aged 65 years and over and who reside in the Parish of Dalry.
Other Bequests	For the provision of school prizes at designated schools (Education Bequests); or for the maintenance of specific lairs within cemeteries (Burial Trusts); or other sundry purposes.



## Non-Domestic Rates Account

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

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

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

	2022/23 £m	2021/22 £m
Gross rates levied	57.095	56.322
Less:		
Reliefs and other deductions	(14.965)	(22.228)
Write-offs of Uncollectable debts and allowance for impairment	(0.664)	(0.497)
<b>Net Non-Domestic Rate Income</b>	<b>41.466</b>	<b>33.597</b>
Adjustment for years prior to the introduction of the pool	(2.000)	(3.091)
Net contribution (to) / from National Non-Domestic Rate pool	(1.721)	(1.986)
<b>Net NDR Income transferred to General Fund</b>	<b>37.745</b>	<b>28.520</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 2022/23 was 52.4p for subjects with a rateable value more than £95,000, 51.1p for subjects with a rateable value of more than £51,000 but equal to or less than £95,000 and 49.8p for subjects with a rateable value equal to or less than £51,000.

North Ayrshire Council Rateable Values at 1 April 2022	£m
Commercial	75.952
Industrial and Freight Transport	31.294
Public Undertakings	3.946
Others	2.189
Less: Part Residential and Fishing Rights rateable values not billed for	(0.700)
<b>Total</b>	<b>112.681</b>

Analysis of Rateable Values	2022/23 £m
Rateable Value at 1 April 2022	112.681
Adjustments (Full Year Rateable Value)	(0.647)
<b>Rateable Value at 31 March 2023</b>	<b>112.034</b>
Less: Wholly Exempt Subjects	(1.075)
<b>Net Rateable Value at 31 March 2023</b>	<b>110.959</b>



## 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.

	2022/23 £m	2021/22 £m
Gross Council Tax levied and contributions in lieu	89.053	85.680
Adjustment for prior years Council Tax	0.523	0.347
	<b>89.576</b>	<b>86.027</b>
Adjusted for:		
Council Tax Reduction	(13.070)	(12.297)
Other discounts and reductions	(11.923)	(11.330)
Provision for Non-collection	(2.594)	(2.513)
	<b>(27.587)</b>	<b>(26.140)</b>
<b>Net Council Tax Income transferred to General Fund</b>	<b>61.989</b>	<b>59.887</b>

## North Ayrshire Council Tax per Band

Based on the Council Tax base available to North Ayrshire Council, the band D charge for 2022/23 was £1,382.97.

2022/23 £	Band	2021/22 £
921.98	A	895.12
1,075.64	B	1,044.31
1,229.30	C	1,193.49
1,382.97	D	1,342.69
1,817.06	E	1,764.14
2,247.32	F	2,181.86
2,708.31	G	2,629.42
3,388.27	H	3,289.58



## 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	2022/23 Band D Equivalent Dwellings	2021/22 Band D Equivalent Dwellings
Band A*			(49)	5	30	14	0.56	8	6
Band A	21,771	1,375	(41)	3,354	6,499	10,584	0.67	7,056	7,108
Band B	18,557	550	53	2,168	3,980	11,806	0.78	9,182	9,219
Band C	7,536	238	(4)	958	1,007	5,337	0.89	4,744	4,679
Band D	7,242	187	(46)	751	467	5,883	1.00	5,883	5,809
Band E	9,147	167	45	732	272	7,931	1.31	10,420	10,336
Band F	4,182	63	30	258	71	3,760	1.63	6,110	6,011
Band G	1,254	24	11	72	17	1,130	1.96	2,213	2,197
Band H	58	0	1	5	0	52	2.45	127	123
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent								4	4
<b>Sub-total</b>						<b>46,497</b>		<b>45,747</b>	<b>45,492</b>
<b>Less</b> Bad Debt Provision at 4% (3.5% 2021/22)								(1,830)	(1,592)
<b>Council Tax Base</b>								<b>43,917</b>	<b>43,900</b>

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



## Notes to the Accounts

### Notes to the CIES

#### 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 2021/22 figures have been restated to reflect current year changes to the internal reporting structure. There is no change in the Net Cost of Services reported for the year.

	2022/23			2021/22 (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	25.702	2.788	28.490	25.506	0.419	25.925
Communities	171.407	(3.553)	167.854	163.521	(10.758)	152.763
Place	55.113	28.705	83.818	49.449	44.623	94.072
Health and Social Care Partnership	120.549	10.363	130.912	107.059	10.778	117.837
Other Corporate Items	15.600	(7.064)	8.536	1.129	7.232	8.361
<b>Cost Of General Fund Services</b>	<b>388.371</b>	<b>31.239</b>	<b>419.610</b>	<b>346.664</b>	<b>52.294</b>	<b>398.958</b>
Housing Revenue Account	(0.343)	(0.542)	(0.885)	5.559	(15.080)	(9.521)
<b>Net Cost of Services</b>	<b>388.028</b>	<b>30.697</b>	<b>418.725</b>	<b>352.223</b>	<b>37.214</b>	<b>389.437</b>
Other Income and Expenditure	(388.921)	(6.102)	(395.023)	(379.860)	3.390	(376.470)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(0.893)</b>	<b>24.595</b>	<b>23.702</b>	<b>(27.637)</b>	<b>40.604</b>	<b>12.967</b>
<b>General Fund and HRA Balance at 1 April</b>	<b>(101.514)</b>			<b>(80.265)</b>		
(Surplus) or Deficit on Provision of Services	(0.893)			(27.637)		
Transfers to/(from) Other Statutory Reserves	(21.393)			6.388		
<b>General Fund and HRA Balance at 31 March (Note 11)</b>	<b>(123.800)</b>			<b>(101.514)</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	2022/23			
	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	1.716	3.559	(2.487)	2.788
Communities	2.804	11.408	(17.765)	(3.553)
Place	20.994	9.357	(1.646)	28.705
Health and Social Care Partnership	0.218	13.014	(2.869)	10.363
Other Corporate Items	0.011	(1.080)	(5.995)	(7.064)
<b>Cost Of General Fund Services</b>	<b>25.743</b>	<b>36.258</b>	<b>(30.762)</b>	<b>31.239</b>
Housing Revenue Account	(1.137)	1.128	(0.533)	(0.542)
<b>Net Cost of Services</b>	<b>24.606</b>	<b>37.386</b>	<b>(31.295)</b>	<b>30.697</b>
Other Income and Expenditure from the Funding Analysis	(38.644)	2.148	30.394	(6.102)
<b>Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(14.038)</b>	<b>39.534</b>	<b>(0.901)</b>	<b>24.595</b>

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22 (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	1.456	4.108	(5.145)	0.419
Communities	0.596	9.274	(20.628)	(10.758)
Place	33.548	12.878	(1.803)	44.623
Health and Social Care Partnership	0.130	13.957	(3.309)	10.778
Other Corporate Items	0.575	(1.378)	8.035	7.232
<b>Cost Of General Fund Services</b>	<b>36.305</b>	<b>38.839</b>	<b>(22.850)</b>	<b>52.294</b>
Housing Revenue Account	(9.482)	1.286	(6.884)	(15.080)
<b>Net Cost of Services</b>	<b>26.823</b>	<b>40.125</b>	<b>(29.734)</b>	<b>37.214</b>
Other Income and Expenditure from the Funding Analysis	(26.206)	3.898	25.698	3.390
<b>Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>0.617</b>	<b>44.023</b>	<b>(4.036)</b>	<b>40.604</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 and Agency transactions 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.

	2022/23 £m	2021/22 £m
<b>Expenditure</b>		
Employee Benefits Expenses	331.634	307.214
Other Service Expenses	376.888	340.310
Depreciation, Amortisation and Impairment	46.448	55.521
Interest Payments	55.225	45.897
Losses on Disposal of Assets	0.513	0
<b>Total Expenditure</b>	<b>810.708</b>	<b>748.942</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(336.245)	(313.608)
Gains on Disposal of Assets	0	(0.006)
Interest and Investment Income	(34.539)	(23.127)
Council Tax	(61.989)	(59.887)
Government Grants and Contributions	(354.233)	(339.347)
<b>Total Income</b>	<b>(787.006)</b>	<b>(735.975)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>23.702</b>	<b>12.967</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: Financing and Investment Income and Expenditure

	2022/23 £m	2021/22 £m
Interest payable and similar charges	19.312	18.820
Pensions interest cost and expected return on pensions assets	2.208	4.010
Interest receivable and similar income	(0.834)	(0.060)
<b>Total</b>	<b>20.686</b>	<b>22.770</b>



## Note 4: Other Operating Expenditure and Income

	2022/23 £m	2021/22 £m
(Gains)/losses on the disposal of non current assets	0.513	(0.006)
<b>Total</b>	<b>0.513</b>	<b>(0.006)</b>

## Note 5: Material Items

The Comprehensive Income and Expenditure Statement (CIES) includes material items in relation to the revaluation of long term assets, £72.5m, and actuarial gains on the net pension asset / liability, £126.3m.

The revaluation of long term assets is primarily related to the rolling programme for the revaluation of Land and Buildings, as detailed in Note 17. This has identified material increases in the value of some assets including Greenwood Academy, £16.8m, Largs Campus, £15.8m and St Matthews Academy, £15.4m. These have been partly offset by a reduction in the value of Garnock Campus, (£15.6m).

The actuarial gains on the net pension asset / liability reflects improved returns on assets across the Fund, combined with an increase in the discount rate applied reflecting an increase in corporate bond yield. In accordance with IAS 19 and IFRIC 14, the actuarial gains have been partly offset by the application of an asset ceiling determined by the Fund's actuaries to reflect the level of economic benefit which the Council may be able to derive from the movement on the Fund in the form of potential refunds or reduced future contributions.

## 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:

	2022/23 £m	2021/22 £m
Agency income from Scottish Water	(0.514)	(0.514)
Cost of Collection associated with Scottish Water income	0.046	0.100

Additional fee income has been recognised in relation to other agency payments made on behalf of the Scottish Government to support businesses and individuals as follows:

	2022/23 £m	2021/22 £m
Agency income from Business Grants	(0.044)	(0.071)
Agency income from Other Grants	(0.210)	(0.590)

These grants related to the payments to businesses and individuals in relation to the following schemes:

	2022/23 £m	2021/22 £m
Hardship Grants	10.520	4.941
Community Renewal Grants	0.275	0.738
Self Isolation Grants	0.228	1.141
Transport and Employability Grants	0.196	1.476
Business Grants Paid to Third Parties	0.099	13.473
HSCP Grants	0	2.212
Early Learning & Childcare Grants	0	0.415

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2022/23 the Council collected £39.466m which was reduced by (£1.721m) from the National Non-Domestic Rates Pool (2021/22: £30.506m and reduction of (£1.986m)).



## Note 7: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23 £m	2021/22 £m
Credited to Taxation and Non Specific Grant Income		
General Revenue Grant	(280.389)	(280.585)
Council Tax	(61.989)	(59.887)
Non Domestic Rates	(37.745)	(28.520)
Capital Grants and Contributions	(36.099)	(30.242)
<b>Total</b>	<b>(416.222)</b>	<b>(399.234)</b>
Credited to Services		
Housing Benefit Funding	(34.747)	(36.420)
Health Resource Transfer	(24.003)	(22.620)
Early Years	(13.093)	(13.946)
Attainment Grant	(5.042)	(5.487)
Pupil Equity Fund	(4.972)	(4.628)
Schools for the Future	(3.373)	(3.372)
Criminal Justice Grant	(3.335)	(3.254)
Millport Town Hall Regeneration	(1.605)	0
Ayrshire Growth Deal	(1.531)	(0.922)
Homes For Ukraine Scheme Local Authority Tariff Payment	(1.092)	0
Alcohol and Drug Partnership Funding	(0.834)	(1.404)
Benefit Admin Subsidy	(0.641)	(0.622)
Place Based Investment Programme	(0.580)	0
EMA and Activity Agreements	(0.576)	(0.619)
Sportscotland Sport Facilities Grant	(0.557)	(0.443)
Long Term Unemployed	(0.538)	0
General Capital Grant	(0.529)	(0.559)
Community Mental Health and Wellbeing Supports and Services	(0.517)	(0.268)
Provision of Educational Support to Ukrainian Children	(0.506)	0
Young Persons Guarantee	(0.462)	(0.788)
No One Left Behind	(0.457)	(0.073)
Scottish Enterprise	(0.436)	0
Syrian Relocation Grant	(0.436)	(0.708)
Pipeline Grant	(0.433)	(0.588)
Care Experienced Children and Young People	(0.361)	(0.461)
Warm Scottish Welcome	(0.305)	0
Parental Employability Support Fund	(0.282)	(0.040)
Making Waves	(0.277)	(0.132)
Criminal Justice Concerned Backlog	(0.244)	(0.217)
Equalities Unit Funding	(0.210)	(0.210)
Creative Scotland Grant	(0.190)	(0.223)
COVID-19 HSCP Grant	(0.018)	(16.748)
Other Minor Grants	(3.918)	(3.844)
<b>Total</b>	<b>(106.100)</b>	<b>(118.596)</b>



## Note 8: External Audit Fees

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:

	2022/23 £m	2021/22 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.356	0.317
Rebate received in relation to prior years	(0.016)	0
<b>Total</b>	<b>0.340</b>	<b>0.317</b>

## Note 9: Leases

### Council as Lessee

#### Operating Leases

The Council has acquired a suite of fitness equipment, waste equipment and a fleet of electric vehicles by entering into operating leases, with typical lives of between three and five years. The Council also leases a number of other properties and pieces of land.

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

	2022/23 £m	2021/22 £m
Not later than one year	0.198	0.228
Later than one year and not later than five years	0.254	0.376
	<b>0.452</b>	<b>0.604</b>

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

	2022/23 £m	2021/22 £m
Minimum Lease Payments	0.269	0.259

#### 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.



## Notes to the MiRS

### 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 2022/23	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m
<b>Reversal of items debited or credited to the CIES</b>					
Charges for depreciation of non current assets	34.194	20.705	0	<b>54.899</b>	(54.899)
Amortisation of intangible assets	0.078	0	0	<b>0.078</b>	(0.078)
Impairment of non current assets	(8.529)	0	0	<b>(8.529)</b>	8.529
Capital grants and contributions that have been applied to capital financing	(32.902)	(3.197)	0	<b>(36.099)</b>	36.099
(Gains)/losses on the disposal of non current assets	0.503	0.010	0	<b>0.513</b>	(0.513)
Statutory provision for the financing of capital investment	(5.429)	(5.372)	0	<b>(10.801)</b>	10.801
Capital expenditure charged against the General Fund and HRA balances	(0.816)	(13.283)	0	<b>(14.099)</b>	14.099
Adjustments involving the Capital Fund	0	0	0	<b>0</b>	0
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.422)	(0.360)	0	<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	38.406	1.128	0	<b>39.534</b>	(39.534)
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	(0.087)	(0.032)	0	<b>(0.119)</b>	0.119
<b>Total Adjustments</b>	<b>24.996</b>	<b>(0.401)</b>	<b>0</b>	<b>24.595</b>	<b>(24.595)</b>



**Comparable Movements in 2021/22**

Movements in 2021/22	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m
<b>Reversal of items debited or credited to the CIES</b>					
Charges for depreciation of non current assets	31.907	19.216	0	<b>51.123</b>	(51.123)
Amortisation of intangible assets	0.079	0	0	<b>0.079</b>	(0.079)
Impairment of non-current assets	4.319	0	0	<b>4.319</b>	(4.319)
Capital grants and contributions that have been applied to capital financing	(18.137)	(12.105)	0	<b>(30.242)</b>	30.242
(Gain)/loss on the disposal of non-current assets	(0.002)	(0.004)	0	<b>(0.006)</b>	0.006
Statutory provision for the financing of capital investment	(7.297)	(4.445)	0	<b>(11.742)</b>	11.742
Capital expenditure charged against the General Fund and HRA balances	(0.770)	(12.144)	0	<b>(12.914)</b>	12.914
Adjustments involving the Capital Fund	0	0	(1.161)	<b>(1.161)</b>	1.161
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.441)	(0.341)	0	<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	42.737	1.286	0	<b>44.023</b>	(44.023)
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	(3.207)	(0.047)	0	<b>(3.254)</b>	3.254
<b>Total Adjustments</b>	<b>49.188</b>	<b>(8.584)</b>	<b>(1.161)</b>	<b>39.443</b>	<b>(39.443)</b>



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

	31 March 2022 £m	Income £m	Expenditure £m	31 March 2023 £m	Purpose of Reserve
General Fund Balance unearmarked	11.315	0	(3.262)	8.053	The balance represents 2.0% of budgeted expenditure.
Affordable Housing	1.964	0.617	(0.542)	2.039	Contributes towards the provision of new build social housing.
Change & Service Redesign Fund	2.637	0	(0.144)	2.493	This sum is earmarked for delivery of the Council's Change Programme.
Loans Fund Reserve	10.860	8.093	(0.049)	18.904	Supports borrowing linked to the Capital Investment Programme.
Investment Fund	13.223	0	(4.824)	8.399	Supports environmental projects, infrastructure investment and Community Wealth Building activity.
Renewal Fund	13.517	0	(0.578)	12.939	Supports delivery of the Council's Renewal and Recovery Strategy.
Energy Smart	0.500	2.250	(0.030)	2.720	Supports reduction of fuel poverty and increased affordable warmth.
Earmarked Funds	19.241	4.770	(5.417)	18.594	Various specific projects for which funds have been identified prior to 31 March 2023, but spending plans exist relating to 2023/24 or beyond.
Workforce Planning	1.308	6.739	(0.215)	7.832	Supports Workforce Planning and future pay settlement risks.
Future Budget Strategy	1.029	16.669	0	17.698	Support for Medium Term Financial Planning strategy.
Education and Early Learning & Childcare	7.341	2.577	(2.754)	7.164	Supports expansion of ELC provision and Education recovery plan.
Financial Insecurity	2.963	1.727	(1.410)	3.280	Funds earmarked to support Low Income Families
<b>General Fund Balance</b>	<b>85.898</b>	<b>43.442</b>	<b>(19.225)</b>	<b>110.115</b>	
Housing Revenue Account	15.616	0	(1.931)	13.685	The balance on the HRA includes £5.3m earmarked for new house building and £0.8m retained as contingency.
<b>HRA Balance</b>	<b>15.616</b>	<b>0</b>	<b>(1.931)</b>	<b>13.685</b>	
<b>Total General Fund and HRA Balances</b>	<b>101.514</b>	<b>43.442</b>	<b>(21.156)</b>	<b>123.800</b>	
Insurance Fund	3.140	0.051	(0.193)	2.998	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	8.587	0.295	0	8.882	Funds earmarked to support the 2023-2031 capital programme.
<b>Other Reserves</b>	<b>11.727</b>	<b>0.346</b>	<b>(0.193)</b>	<b>11.880</b>	
<b>Total Usable Reserves</b>	<b>113.241</b>	<b>43.788</b>	<b>(21.349)</b>	<b>135.680</b>	



## Notes to the Balance Sheet

### Note 12: Property, Plant and Equipment

#### Movements in 2022/23:

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Comm-unity 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 2022</b>	<b>527.829</b>	<b>486.373</b>	<b>47.310</b>	<b>4.259</b>	<b>9.187</b>	<b>83.671</b>	<b>1,158.629</b>	<b>114.058</b>
Reclassification of Assets	25.420	2.431	0.286	0.398	0.037	(29.312)	(0.740)	0
Additions	23.513	2.545	4.393	0.052	0	28.432	58.935	0.197
Revaluations recognised in the Revaluation Reserve	(7.287)	0.875	0	0	(3.147)	0	(9.559)	28.328
Impairments recognised in the Net Cost of Services	0	(8.320)	(0.188)	0	0	0	(8.508)	(1.720)
Derecognition - Disposals	0	(2.692)	(2.034)	0	0	0	(4.726)	0
Assets reclassified (to)/from Held for Sale	0	0.235	0	0	0	0	0.235	0
<b>Balance at 31 March 2023</b>	<b>569.475</b>	<b>481.447</b>	<b>49.767</b>	<b>4.709</b>	<b>6.077</b>	<b>82.791</b>	<b>1,194.266</b>	<b>140.863</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance at 1 April 2022</b>	<b>0</b>	<b>65.244</b>	<b>39.166</b>	<b>1.324</b>	<b>0</b>	<b>0</b>	<b>105.734</b>	<b>21.700</b>
Reclassification of Assets	0	0	0	0	0	0	0	0
Depreciation Charge	20.577	24.864	4.103	0.253	0.004	0	49.801	5.511
Depreciation written out to the Revaluation Reserve	(20.577)	(61.466)	0	0	(0.004)	0	(82.047)	(23.439)
Depreciation written out to the Net Cost of Services	0	(17.841)	0	0	0	0	(17.841)	(3.182)
Derecognition - Disposals	0	(1.898)	(2.019)	0	0	0	(3.917)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2023</b>	<b>0</b>	<b>8.903</b>	<b>41.250</b>	<b>1.577</b>	<b>0</b>	<b>0</b>	<b>51.730</b>	<b>0.590</b>
<b>Net Book Value</b>								
<b>Balance at 31 March 2023</b>	<b>569.475</b>	<b>472.544</b>	<b>8.517</b>	<b>3.132</b>	<b>6.077</b>	<b>82.791</b>	<b>1,142.536</b>	<b>140.273</b>
<b>Balance at 31 March 2022</b>	<b>527.829</b>	<b>421.129</b>	<b>8.144</b>	<b>2.935</b>	<b>9.187</b>	<b>83.671</b>	<b>1,052.895</b>	<b>92.358</b>



**Comparative Movements in 2021/22:**

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Community Assets £m	Surplus Assets £m	Assets under Construction £m	Total £m	PPP/NPD Assets Included in P,P&E £m
<b>Cost or Valuation</b>								
<b>Balance at 1 April 2021</b>	<b>502.982</b>	<b>454.920</b>	<b>44.049</b>	<b>4.188</b>	<b>5.782</b>	<b>104.873</b>	<b>1,116.794</b>	<b>114.047</b>
Reclassification of Assets	36.204	38.413	0.811	0.012	(0.862)	(74.600)	(0.022)	0
Additions	20.404	4.604	3.213	0.059	0	53.398	81.678	0.011
Revaluations recognised in the Revaluation Reserve	(31.761)	1.532	0	0	5.580	0	(24.649)	0
Impairments recognised in the Net Cost of Services	0	(8.639)	0	0	0.100	0	(8.539)	0
Derecognition - Disposals	0	(0.016)	(0.763)	0	0	0	(0.779)	0
Assets reclassified (to)/from Held for Sale	0	(4.441)	0	0	(1.413)	0	(5.854)	0
<b>Balance at 31 March 2022</b>	<b>527.829</b>	<b>486.373</b>	<b>47.310</b>	<b>4.259</b>	<b>9.187</b>	<b>83.671</b>	<b>1,158.629</b>	<b>114.058</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance at 1 April 2021</b>	<b>0</b>	<b>67.094</b>	<b>36.111</b>	<b>1.101</b>	<b>0</b>	<b>0</b>	<b>104.306</b>	<b>16.194</b>
Reclassification of Assets	0	0	0	0	0	0	0	0
Depreciation Charge	19.119	23.060	3.814	0.223	0.003	0	46.219	5.506
Depreciation written out to the Revaluation Reserve	(19.119)	(18.793)	0	0	(0.003)	0	(37.915)	0
Depreciation written out to the Net Cost of Services	0	(4.885)	0	0	0	0	(4.885)	0
Derecognition - Disposals	0	0	(0.759)	0	0	0	(0.759)	0
Assets reclassified (to)/from Held for Sale	0	(1.232)	0	0	0	0	(1.232)	0
<b>Balance at 31 March 2022</b>	<b>0</b>	<b>65.244</b>	<b>39.166</b>	<b>1.324</b>	<b>0</b>	<b>0</b>	<b>105.734</b>	<b>21.700</b>
<b>Net Book Value</b>								
<b>Balance at 31 March 2022</b>	<b>527.829</b>	<b>421.129</b>	<b>8.144</b>	<b>2.935</b>	<b>9.187</b>	<b>83.671</b>	<b>1,052.895</b>	<b>92.358</b>
<b>Balance at 31 March 2021</b>	<b>502.982</b>	<b>387.826</b>	<b>7.938</b>	<b>3.087</b>	<b>5.782</b>	<b>104.873</b>	<b>1,012.488</b>	<b>97.853</b>

**Infrastructure Assets**

Due to practical difficulties in applying the Code of Practice on Local Authority Accounting in the United Kingdom's requirements in relation to the measurement of infrastructure assets and the application of component accounting for the recognition and derecognition of replaced components of infrastructure assets, the Scottish Government has issued Local Government Finance Circular 09/2022 Statutory Override – Accounting for Infrastructure Assets. In accordance with this, North Ayrshire Council has applied the permitted statutory overrides to exclude the reporting of gross cost and accumulated depreciation in relation to this class of asset and to account for the derecognition of any replaced part of an infrastructure asset at nil value.

The movements in relation to Infrastructure Assets for 2022/23 and the 2021/22 comparator movements are as follows:



	2022/23 £m	2021/22 £m
Net Book Value at 1 April	86.093	82.933
Reclassification of Assets	0.740	0.022
Additions	8.046	8.042
Revaluations	(0.804)	0
Depreciation Charge	(5.098)	(4.904)
<b>Net Book Value at 31 March</b>	<b>88.977</b>	<b>86.093</b>

### Total Property, Plant and Equipment

	2022/23 £m	2021/22 £m
Infrastructure Assets Net Book Value at 31 March	88.977	86.093
Other Property, Plant and Equipment Net Book Value at 31 March	1,142.536	1,052.895
<b>Total P, P&amp;E Net Book Value at 31 March</b>	<b>1,231.513</b>	<b>1,138.988</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 2023 are as follows:

North Ayrshire Council	Fair Value as at 31 March 2023 £m	Fair Value as at 31 March 2022 £m
Land	6.015	9.125
Offices	0.062	0.062
<b>Total</b>	<b>6.077</b>	<b>9.187</b>

Fair values for the Investment Properties held by the Common Good and Trust Funds as at 31 March 2023 are as follows:

Common Good / Trusts	Fair Value as at 31 March 2023 £m	Fair Value as at 31 March 2022 £m
Land	1.150	1.150
Offices	0.620	0.620
Community use	0.278	0.276
<b>Total</b>	<b>2.048</b>	<b>2.046</b>

### Note 14: Assets Held for Sale

	2022/23 £m	2021/22 £m
Balance at 1 April	0.375	1.002
Assets newly classified as held for sale:		
Property, Plant and Equipment	(0.235)	4.622
Revaluations	0.090	5.348
Assets disposed of during the year	0	(10.597)
<b>Balance at 31 March</b>	<b>0.230</b>	<b>0.375</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 – including Eglinton castle, Stanecastle Irvine and Ardrossan castle;
- 8 Monuments – including Mackerston Fountain, Bonnie Lesley Monument and the Pencil Monument;
- 23 War Memorials across North Ayrshire; and
- Museum and Gallery items valued at less than £10,000.

A valuation of some of the assets has been undertaken by external valuers Lyon & Turnbull during 2022/23. The remaining assets were due to be valued but due to Covid restrictions and workload backlogs this was not possible. The list of assets will be updated regularly as and when valuations are received throughout the year.

The valuation by Lyon and Turnbull was dated March 2023. The assets presented for valuation were valued as at good gallery and retail outlet values but not for facsimile purposes. There were no limitations mentioned on the values or the certificate.

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

Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2022	0.254	0.228	0.377	0.199	1.058
Revaluations	0.034	(0.014)	(0.049)	0	(0.029)
Balance at 31 March 2023	0.288	0.214	0.328	0.199	1.029

Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2021	0.591	0.139	0.420	0.177	1.327
Revaluations	(0.337)	0.089	(0.043)	0.022	(0.269)
Balance at 31 March 2022	0.254	0.228	0.377	0.199	1.058

Civic Regalia and Silverware – includes the collection of Burgh Chains and items that are made of silver. Key items include the Burgh Chains, sporting trophies and Eglinton Armour.

Fine Art – includes items classed as 2D visual art such as paintings, etchings, drawings etc. Key items include 2 Sir John Lavery paintings.

Historical Artefacts – comprises the main collection and includes all objects and artefacts. Key items include the Ardrossan Sarcophagus, a Sculpture of Owen Kelly by Alexander Stoddart and a late 19th century Fire Engine.

Public Artworks – includes any items that are permanently outdoors. Key items includes public sculpture pieces along Irvine Harbourside and at Eglinton Country Park.



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

Long Term Intangible Assets	2022/23 £m	2021/22 £m
Balance at start of year:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.441)	(4.362)
<b>Net carrying amount at start of year</b>	<b>0.186</b>	<b>0.265</b>
Amortisation for the period	(0.078)	(0.079)
<b>Net carrying amount at end of year</b>	<b>0.108</b>	<b>0.186</b>
Comprising:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.519)	(4.441)
	<b>0.108</b>	<b>0.186</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 PFI or similar contracts (see Note 18).

	2022/23		2021/22	
	General Fund £m	HRA £m	General Fund £m	HRA £m
<b>Opening Capital Financing Requirement</b>	<b>197.355</b>	<b>155.633</b>	<b>184.166</b>	<b>135.724</b>
<b>Capital investment</b>				
Property, Plant and Equipment	36.502	0	41.052	0
Council Dwellings	0	30.479	0	48.668
	<b>36.502</b>	<b>30.479</b>	<b>41.052</b>	<b>48.668</b>
<b>Sources of finance</b>				
Sale of Assets	0.291	0.005	4.329	0.065
Grants and other contributions	32.902	3.197	18.137	12.105
Contribution from Reserves	0	0	1.161	0
Direct revenue contributions	0.816	13.283	0.770	12.144
Loans Fund Principal	(19.961)	5.372	3.466	4.445
	<b>14.048</b>	<b>21.857</b>	<b>27.863</b>	<b>28.759</b>
<b>Closing Capital Financing Requirement</b>	<b>219.809</b>	<b>164.255</b>	<b>197.355</b>	<b>155.633</b>

The full movement in Capital Financing Requirement was due to an increase in the underlying need to borrow (unsupported by government financial assistance).



## Depreciation and Revaluations

As highlighted in Note 42: Accounting Policies, under Property, Plant and Equipment on pages 103 to 105, 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	25	District Valuer	Existing Use Value for Social Housing 'Beacon Principle'	31/03/2020
Other Land and Buildings	50 to 60	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 to 60	External Valuer	Depreciated Replacement Cost Existing Use	31/03/2023
Surplus	50	Internal RICS Valuer	Fair Value (Market Value) Highest and Best Use	31/03/2023
Vehicles	4 to 10	n/a	Historical Cost	n/a
Infrastructure Assets	30 to 40	n/a	Historical Cost	n/a
Plant and Equipment	5 to 20	n/a	Historical Cost	n/a
Community Assets	20 to 30	n/a	Historical Cost	n/a

A desktop review was carried out during 2022/23 which resulted in a revaluation adjustment for Council Dwellings, this adjustment is reported in Note 12, above.

The valuation of Land and Buildings is carried out on a rolling 5 year programme to ensure that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years. The assumptions applied in estimating the current values of property, plant and equipment are:

- The properties are in good structural condition and will be maintained to good level of standard;
- The properties and any land are not contaminated and not subject to flooding; and
- The properties are being operated as per statutory regulations.

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Community Assets £m	Surplus Assets £m	Total £m
Carried at Historic Cost	0	0	49.767	4.709	0	54.476
Valued at current value at :						
31 March 2023	569.475	388.548	0	0	6.077	964.100
31 March 2022	0	33.627	0	0	0	33.627
31 March 2021	0	8.680	0	0	0	8.680
31 March 2020	0	44.594	0	0	0	44.594
31 March 2019	0	5.998	0	0	0	5.998
<b>Total Cost or Valuation</b>	<b>569.475</b>	<b>481.447</b>	<b>49.767</b>	<b>4.709</b>	<b>6.077</b>	<b>1,111.475</b>

## Commitments under capital contracts

At 31 March 2023, 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 2023 totalled £58.452m as follows (2021/22: £24.054m):



Capital Commitments	At 31 March 2023
General Services Programme - Major Projects	£m
Millport Coastal FPS	35.779
Moorpark Primary	4.116
Ayrshire Growth Deal Projects	3.977
Vehicle Replacement	3.026
Solar PV Investment	1.071
B714 Upgrade	0.858
Ardrossan Campus	0.319
Regeneration Projects	0.305
Active Travel & Transport	0.264
Cemeteries	0.210
Carefirst Replacement	0.132
ICT Projects	0.127
Other Minor Commitments	0.076
<b>Total General Services Contractual Commitment</b>	<b>50.260</b>
HRA Programme	£m
Barnett Court	2.747
Harbourside Irvine	1.555
Court Street, Largs	1.218
Alton Court	0.860
High Flats Saltcoats	0.811
Friars Lawn Kilwinning	0.211
St Michaels Wynd	0.189
Flatt Road, Largs	0.131
Towerlands, Irvine	0.112
Other Minor Commitments	0.358
<b>Total HRA Contractual Commitment</b>	<b>8.192</b>

## Note 18: Private Finance Initiatives, Non Profit Distributing Models and Similar Contracts

### North Ayrshire Council Schools PPP Contract

2022/23 was the sixteenth 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

2022/23 was the fifth year for Largs Campus of a 25 year contract. 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, for nil consideration at the end of the contract. 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.

### Clyde Valley Waste PFI Contract

2022/23 was the fourth year for Clyde Valley Waste of a 25 year contract. This plant was procured through a PFI contract. The Council has a 17% share in the contract for waste recycling which utilises the waste materials recovery facility at Bargeddie with residual waste then processed at a thermal treatment site in Dunbar.

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 not be transferred to North Ayrshire Council at the end of the contract. 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 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 agreed payment each year 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. The Clyde Valley Waste contract is uplifted each year by applying CPI to the variable element of the contract. 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, DBFM and Clyde Valley Waste contracts at 31 March 2023 (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 2023/24	11.206	3.821	5.559	2.337	22.923
Payable within two to five years	46.462	17.947	19.915	11.559	95.883
Payable within six to ten years	64.612	27.664	18.607	19.271	130.154
Payable within eleven to fifteen years	65.112	38.072	9.594	30.296	143.074
Payable within sixteen to twenty years	32.180	12.052	1.766	5.595	51.593
Payable within twenty one to twenty five years	9.074	0.583	0.047	0.350	10.054
<b>Total</b>	<b>228.646</b>	<b>100.139</b>	<b>55.488</b>	<b>69.408</b>	<b>453.681</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:

	2022/23 £m	2021/22 £m
Balance outstanding at 1 April	103.982	107.813
Payments during the year	(3.843)	(3.831)
<b>Balance outstanding at 31 March</b>	<b>100.139</b>	<b>103.982</b>



## Service Concession Flexibility

Under Local Government Finance Circular 10/2022 – Finance Leases and Service Concession Arrangements, the Scottish Government has outlined a provision for financial flexibility which allows local authorities to apply a retrospective recalculation of the annual charges to the General Fund in relation to the principal capital repayment element of service concession arrangements, including PPP and DBFM contracts. The application of this flexibility makes no change to the actual payments to the contractor or to the value of interest or service charges made against the General Fund and the schools would still transfer to North Ayrshire Council at the end of the current contract for nil consideration. The adjustments are timing related and the overall repayments charged to the General Fund remain unchanged.

North Ayrshire Council has approved the application of this flexibility and the adoption of the resultant revised accounting arrangements in respect of its PPP and DBFM contracts and the capital repayment element of the contracts have been reviewed and adjusted in a manner consistent with the accounting for other local authority fixed asset financing arrangements.

Under the revised accounting arrangements, an annuity-based repayment schedule has been identified as prudent, sustainable and affordable, reflecting the anticipated flow of benefits from the assets in question. This has resulted in the rescheduling of charges to the General Fund over the 50 year useful economic life of the assets rather than the current contract terms with the release of a one-off retrospective repayment adjustment of £21.546m up to 2022/23 and a short to medium term reduction in the annual debt repayment charges over the period to 2037/38 for the current PPP contracts and to 2042/43 for the current DBFM contract.

	PPP Liability Repayment £m	PPP Revised Profile £m	DBFM Liability Repayment £m	DBFM Revised Profile £m	Total Movement £m
Pre 2022/23	22.113	5.737	6.642	1.472	(21.546)
2022/23	1.945	0.611	1.764	0.334	(2.764)
Payable in 2023/24	1.926	0.651	1.762	0.349	(2.688)
Payable within two to five years	9.945	3.056	7.460	1.556	(12.793)
Payable within six to ten years	17.664	5.085	9.485	2.364	(19.700)
Payable within eleven to fifteen years	28.252	6.972	8.825	2.932	(27.173)
Payable within sixteen to twenty years	0	9.562	10.688	3.636	2.510
Payable within twenty one to twenty five years	0	13.111	0	4.509	17.620
Payable within twenty six to thirty years	0	17.981	0	5.591	23.572
Payable within thirty one to thirty five years	0	19.079	0	6.935	26.014
Payable within thirty six to forty years	0	0	0	8.602	8.602
Payable within forty one to forty five years	0	0	0	8.346	8.346
<b>Total</b>	<b>81.845</b>	<b>81.845</b>	<b>46.626</b>	<b>46.626</b>	<b>0.000</b>

## Note 19: Long Term Debtors

	2022/23 £m	2021/22 £m
Advances for House Purchases	0.044	0.104
<b>Total</b>	<b>0.044</b>	<b>0.104</b>



## Note 20: Inventories

	2022/23				2021/22
	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	0.143	2.412	(2.401)	0.154	0.143
Streetscene & Waste	0.087	0.219	(0.257)	0.049	0.087
Transport Fuel	0.133	2.173	(2.191)	0.115	0.133
Donated Covid Consumables	1.047	0.191	(0.880)	0.358	1.047
Other	0.001	0	0	0.001	0.001
<b>Maintenance Materials</b>					
Building Services	0.514	3.553	(3.497)	0.570	0.514
Roads	0.241	0.351	(0.322)	0.270	0.241
<b>Total</b>	<b>2.166</b>	<b>8.899</b>	<b>(9.548)</b>	<b>1.517</b>	<b>2.166</b>

## Note 21: Short Term Debtors

	2022/23 £m	2021/22 £m
Trade Receivables	26.238	39.776
Prepayments	2.360	2.122
Other Receivable Amounts	33.517	31.519
<b>Total</b>	<b>62.115</b>	<b>73.417</b>

## Note 22: Debtors for Local Taxation

	2022/23		2021/22	
	Council Tax £m	NDR £m	Council Tax £m	NDR £m
Less than 1 year	0.769	0.934	2.010	1.262
1 to 2 years	1.422	0.200	2.133	0.018
2 to 5 years	2.546	0	1.484	0
More than 5 years	0.594	0	0.391	0
<b>Total</b>	<b>5.331</b>	<b>1.134</b>	<b>6.018</b>	<b>1.280</b>

## Note 23: Short Term Borrowing

	2022/23 £m	2021/22 £m
North Ayrshire Municipal Bank Ltd	(0.036)	(0.036)
PWLB	(3.303)	(3.308)
Market Debt / LOBOs / Other Local Authorities	(48.229)	(80.820)
<b>Total</b>	<b>(51.568)</b>	<b>(84.164)</b>



## Note 24: Short Term Creditors

	2022/23 £m	2021/22 £m
Trade Payables	(48.458)	(54.257)
Other Payables	(58.101)	(56.613)
<b>Total</b>	<b>(106.559)</b>	<b>(110.870)</b>

Grants and contributions which have a condition attached that remains to be satisfied at the balance sheet date are recognised as grant receipts in advance. Included within the amounts above are grant receipts in advance totalling £13.327m (2021/22 £12.432m).

## Note 25: Provisions

	Equal Pay / Single Status £m	Termination Benefits £m	Landfill Site Restoration £m	Employee Costs - Paid Absences £m	Teachers Maternity £m	Former Authorities £m	Total £m
<b>Balance at 1 April 2022</b>	<b>(0.130)</b>	<b>(0.161)</b>	<b>(0.363)</b>	<b>(0.148)</b>	<b>(0.198)</b>	<b>(0.217)</b>	<b>(1.217)</b>
Additional provisions made in 2022/23	0	(0.096)	0	(0.119)	(0.068)	(0.012)	(0.295)
Amounts written off in 2022/23	0.093	0	0.187	0	0	0	0.280
Unwinding of Discounts in Current Year	0	0	(0.009)	0	0	0	(0.009)
Amounts used in 2022/23	0.011	0.161	0	0	0	0	0.172
<b>Balance at 31 March 2023</b>	<b>(0.026)</b>	<b>(0.096)</b>	<b>(0.185)</b>	<b>(0.267)</b>	<b>(0.266)</b>	<b>(0.229)</b>	<b>(1.069)</b>

### Equal Pay/Single Status

In 2014/15 a provision of £2.867m was made in respect of Equal Pay and Single Status. During 2022/23 £0.011m of the provision was utilised and £0.093m released as no longer required. As at 31 March 2023 the level of provision required is £0.026m. The timing of the settlement of these claims is uncertain.

### Termination Benefits

In 2022/23 a provision of £0.096m was required in relation to employee retiral commitments the Council had in place at 31 March 2023. These liabilities are expected to be discharged during 2023/24.

### Landfill Site Restoration

This provision relates to the Council's landfill site at Shewalton in Irvine. During 2022/23, £0.187m was released for aftercare costs. The increase in the provision for the unwinding of the discount was also recognised as an interest charge £0.009m. 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 of £0.267m for the costs of paid employee absences arising from Flexi Time earned but not taken prior to 31 March 2023. These liabilities are expected to be discharged during 2023/24.



## Teachers Maternity

The Council holds a provision of £0.266m in respect of teachers' holidays accrued while on maternity leave, which is an increase of £0.068m on the opening balance of £0.198m. These liabilities are expected to be discharged during 2023/24.

## 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.

## Note 26: Financial Instruments

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

	Category:	Long Term		Current		Total	
		31/03/23 £m	31/03/22 £m	31/03/23 £m	31/03/22 £m	31/03/23 £m	31/03/22 £m
Loans and receivables:							
Cash (including bank)	Amortised Cost	0	0	19.556	27.506	19.556	27.506
Bank overdraft	Amortised Cost	0	0	(2.553)	(1.670)	(2.553)	(1.670)
<b>Cash and cash equivalents</b>		<b>0</b>	<b>0</b>	<b>17.003</b>	<b>25.836</b>	<b>17.003</b>	<b>25.836</b>
Short Term Investments	Amortised Cost	0	0	12.048	16.002	12.048	16.002
Debtors	Amortised Cost	0.044	0.104	53.290	63.997	53.334	64.101
<b>Total Financial Assets</b>		<b>0.044</b>	<b>0.104</b>	<b>82.341</b>	<b>105.835</b>	<b>82.385</b>	<b>105.939</b>
Loans at amortised cost:							
Principal sums	Amortised Cost	201.586	181.616	50.468	83.192	252.054	264.808
Accrued interest	Amortised Cost	0	0	1.100	0.972	1.100	0.972
Effective Interest Rate adjustment	Amortised Cost	0.841	0.841	0	0	0.841	0.841
<b>Total borrowing</b>		<b>202.427</b>	<b>182.457</b>	<b>51.568</b>	<b>84.164</b>	<b>253.995</b>	<b>266.621</b>
Trade payables	Amortised Cost	0	0	102.738	107.026	102.738	107.026
PFI and similar liabilities	Amortised Cost	0	0	3.821	3.844	3.821	3.844
<b>Short-term creditors</b>		<b>0</b>	<b>0</b>	<b>106.559</b>	<b>110.870</b>	<b>106.559</b>	<b>110.870</b>
PFI and similar liabilities	Amortised Cost	96.318	100.139	0	0	96.318	100.139
<b>Total Financial Liabilities</b>		<b>298.745</b>	<b>282.596</b>	<b>158.127</b>	<b>195.034</b>	<b>456.872</b>	<b>477.630</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 Virgin Money. 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 had 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". This loan is now paid in full.

	2022/23 £m	2021/22 £m
Value at 1 April	0.305	0.520
Amounts repaid to the Council	(0.154)	(0.228)
Fair value adjustments	(0.151)	0.013
<b>Value at 31 March</b>	<b>0</b>	<b>0.305</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 banks;
- Trade payables (creditors);
- Finance leases; and
- Public Private Partnership (PPP), Non Profit Distributing (NPD) and similar 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 2023		At 31 March 2022	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
PWLB Debt	178.583	190.745	181.475	262.218
Non-PWLB Debt	153.921	176.489	157.839	228.125
Temporary Loans	21.594	21.594	31.254	31.254
<b>Total Debt</b>	<b>354.098</b>	<b>388.828</b>	<b>370.568</b>	<b>521.597</b>
Trade Creditors	102.738	102.738	107.026	107.026
<b>Total Liabilities</b>	<b>456.836</b>	<b>491.566</b>	<b>477.594</b>	<b>628.623</b>

	At 31 March 2023		At 31 March 2022	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Cash and Cash Equivalents	17.003	17.003	25.836	25.836
Short Term Deposits < 1 year	12.048	12.048	16.002	16.002
Trade Debtors	53.334	53.334	64.101	64.239
<b>Total Assets</b>	<b>82.385</b>	<b>82.385</b>	<b>105.939</b>	<b>106.077</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.

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:

	2022/23			2021/22		
	Liabilities measured at amortised cost £m	Loans and receivables measured at amortised cost £m	Total £m	Liabilities measured at amortised cost £m	Loans and receivables measured at amortised cost £m	Total £m
Interest expense	(20.094)	0	(20.094)	(19.602)	0	(19.602)
Losses on derecognition	0.782	0	0.782	0.782	0	0.782
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(19.312)</b>	<b>0</b>	<b>(19.312)</b>	<b>(18.820)</b>	<b>0</b>	<b>(18.820)</b>
Interest income	0	0.834	0.834	0	0.060	0.060
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0.834</b>	<b>0.834</b>	<b>0</b>	<b>0.060</b>	<b>0.060</b>
<b>Net gain/(loss) for the year</b>	<b>(19.312)</b>	<b>0.834</b>	<b>(18.478)</b>	<b>(18.820)</b>	<b>0.060</b>	<b>(18.760)</b>



## Note 27: Risks arising from Financial Instruments

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

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

The key risks are:

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

### Credit Risk: Investments

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

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

The Treasury Management and Investment Strategy for 2022/23 was approved by North Ayrshire Council on 2 March 2022.

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 2023 that this was likely to crystallise.

Credit Risk Exposure at 31 March 2023:

Counterparty	Credit Rating Criteria met when invested	Credit Rating Criteria met at 31st March 2023	Balance Invested at 31st March 2023					
			Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	Total
	YES/NO	YES/NO	£m	£m	£m	£m	£m	£m
UK Banks	YES	YES	3.650	0	0	0	0	3.650
Debt Management Office	YES	YES	1.900	0	0	0	0	1.900
Other	YES	YES	15.900	5.000	0	5.000	0	25.900
<b>Total</b>			<b>21.450</b>	<b>5.000</b>	<b>0</b>	<b>5.000</b>	<b>0</b>	<b>31.450</b>

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. The allowance for the repayment of the HSCP's cumulative deficit was determined 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. However, this has been fully repaid during 2022/23.



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

	2022/23			2021/22		
	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	0.711	7.111	7.822	2.325	6.517	8.842
Changes due to modifications which did not result in derecognition	(0.711)	0.877	0.166	(1.614)	0.594	(1.020)
<b>As at 31 March</b>	<b>0</b>	<b>7.988</b>	<b>7.988</b>	<b>0.711</b>	<b>7.111</b>	<b>7.822</b>

During the year, the Council wrote off financial assets with a contractual amount outstanding of £1.100m (£1.526m 2021/22) which are still subject to enforcement activity.

## Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2023:

	Credit Risk Rating	Gross Carrying Amount at 31 March	Gross Carrying Amount at 31 March
		2023 £m	2022 £m
Lifetime expected credit losses	Internal Assessment	0	2.320
Simplified approach	Historic Experience	63.639	71.835
		<b>63.639</b>	<b>74.155</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 2 March 2022):

Loans Outstanding	At 31 March 2023 £m	At 31 March 2023 %	Approved Upper Limit %	Approved Lower Limit %	At 31 March 2022 £m
Less than one year	54.290	15%	50%	0%	87.037
Between one and two years	7.260	2%	50%	0%	6.772
Between two and five years	23.545	7%	50%	0%	22.141
Between five and ten years	52.103	15%	75%	0%	52.134
More than ten years	214.995	61%	90%	25%	200.707
<b>Total</b>	<b>352.193</b>				<b>368.791</b>
Public Works Loan Board	178.167				181.055
Market Debt / LOBOs	52.435				52.509
Temporary borrowing	21.452				31.245
PPP/NPD Liabilities	100.139				103.982
<b>Total</b>	<b>352.193</b>				<b>368.791</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; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so 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 2022/23 these limits were £602.3m of total borrowing on fixed rate borrowing and £60.0m for variable rate borrowing.

At 31 March 2023, £194.6m 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. The Council will continue to monitor the position in terms of changes to the Bank of England base rate and the interest rates available in relation to alternative borrowing options.



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

	At 31 March 2023 £m
<b>Impact on tax-payers &amp; rent-payers</b>	
Increase on interest payable on variable rate borrowings	0.260
Increase in interest receivable on variable rate investments	
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0.260</b>
<b>Share of overall impact debited to the HRA</b>	<b>0.120</b>
Decrease in fair value of fixed rate investment assets	0
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</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)	(31.920)

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 2023, the Council held no foreign currency funds.

## 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 2022/23, the Council recognised £15.782m in respect of teachers' retirement benefits, representing 22.70% of pensionable pay. The figures for 2021/22 were £14.806m and 22.43%. There were no contributions remaining payable at the year-end. The estimated contribution for 2023/24 is £13.600m. As a proportion of the total contributions into the Scheme during the year to 31 March 2023, North Ayrshire Council's contribution equates to approximately 2.36%.

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 2022/23.



## 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	2022/23 £m	2021/22 £m
Cost of Services:		
Current service cost	66.221	66.136
Past service cost (including curtailments)	0.660	0.362
Financing and Investment Income and Expenditure:		
Net interest expense	2.209	4.010
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>69.090</b>	<b>70.508</b>
Other Post Employment Benefit Charged to the CIES:		
Expected return on pension fund assets (excluding amounts included in net interest)	53.303	(65.585)
Actuarial (gains) / losses arising on changes in financial assumptions	(179.611)	(101.565)
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(57.218)</b>	<b>(96.642)</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	(39.534)	(44.023)
Actuarial gains/(losses) on pension assets/liabilities	126.308	167.150
<b>Contributions from employer payable to scheme</b>	<b>29.556</b>	<b>26.485</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 normally the net liability represented by the present value of the defined benefit obligation and the fair value of the plan assets. However, for 2023 the actuarial gains arising from changes in the financial assumptions have resulted in a net asset position.



IAS 19 Employee Benefits requires that the net defined benefit asset recognised in the Balance Sheet is measured at the lower of the net asset position in the defined benefit fund and the asset ceiling, which is defined as 'the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'. As a result, the net pension asset to be recognised in the Balance Sheet has been revised to reflect the Asset Ceiling adjustment advised by Strathclyde Pension Fund's actuaries, Hymans Robertson:

	2022/23 £m	2021/22 £m
Present value of the defined benefit obligation	(899.826)	(1,301.889)
Fair value of plan assets	1,232.630	1,244.439
Asset Ceiling adjustment	(303.480)	0
<b>Net asset / (liability) arising from defined benefit obligation</b>	<b>29.324</b>	<b>(57.450)</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:

	2022/23 £m	2021/22 £m
Balance as at 1 April	(1,301.889)	(1,331.515)
Current service cost	(66.221)	(66.136)
Interest cost	(35.913)	(27.077)
Contributions by scheme participants	(8.443)	(7.605)
Re-measurement (gains) and losses:		
Actuarial gains / (losses) arising on changes in financial assumptions	533.427	95.890
Changes in demographic assumptions	9.710	8.088
Other experience	(60.046)	(2.413)
Past service cost (including curtailments)	(0.660)	(0.362)
Benefits paid	30.209	29.241
<b>Balance as at 31 March</b>	<b>(899.826)</b>	<b>(1,301.889)</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:

	2022/23 £m	2021/22 £m
Balance as at 1 April	1,244.439	1,150.938
Interest income	33.704	23.067
Re-measurement gains and (losses):		
Return on plan assets excluding amounts included in net interest	(53.303)	65.585
Contributions from employer payable to the scheme	29.556	26.485
Contributions by scheme participants	8.443	7.605
Benefits paid	(30.209)	(29.241)
<b>Balance as at 31 March</b>	<b>1,232.630</b>	<b>1,244.439</b>



## Asset Ceiling adjustment

In accordance with IAS 19 and the guidance issued under International Financial Reporting Interpretations Committee – Interpretation 14 (IFRIC 14), the Asset Ceiling has been determined as follows:

	2022/23 £m	2021/22 £m
Net present value of estimated future service costs	352.646	n/a
Net present value of future contributions	(323.322)	n/a
<b>Asset Ceiling</b>	<b>29.324</b>	<b>0</b>

## Analysis of Pension Fund's Assets

North Ayrshire Council's share of the Pension Fund assets as at 31 March 2023 comprised:

Portfolio Composition	2022/23					2021/22				
	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	246.012	558.671	804.683	65%	280.514	583.696	864.210	69%		
Debt Instruments	0	302.966	302.966	25%	0	243.616	243.616	20%		
Property	0	101.630	101.630	8%	0	104.948	104.948	8%		
Cash	17.048	6.303	23.351	2%	31.245	0.420	31.665	3%		
<b>Balance as at 31 March</b>	<b>263.060</b>	<b>969.570</b>	<b>1,232.630</b>	<b>100%</b>	<b>311.759</b>	<b>932.680</b>	<b>1,244.439</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 2023/24.

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 2024 at £27.193m, compared to estimated contributions for 2022/23 of £24.175m.

The assumed weighted average duration of the defined benefit obligation is 19 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 2020. The valuation results have been projected forward to 31 March 2023 based on a range of assumptions.

The significant assumptions used by the actuary were:



Local Government Pension Scheme	At 31 March 2023	At 31 March 2022
<b>Assumptions</b>		
Long term expected rate of return on assets in the scheme:		
Equity investments	4.8%	2.7%
Bonds	4.8%	2.7%
Other	4.8%	2.7%
Cash	4.8%	2.7%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
Men	19.3	19.6
Women	22.2	22.4
Longevity at 65 for future pensioners:		
Men	20.5	21.0
Women	24.2	24.5
Rate of inflation	3.0%	3.2%
Rate of increase in salaries	3.3%	3.9%
Rate of increase in pensions	3.0%	3.2%
Rate for discounting scheme liabilities	4.8%	2.7%
Take up of option to convert annual pension into retirement lump sum		
- for pre April 2009 service	50.0%	50.0%
- for post April 2009 service	75.0%	75.0%

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	%
0.1% decrease in Real Discount Rate	17.150	2.0%
0.1% increase in the Salary Increase Rate	2.047	0.0%
0.1% increase in the Pension Increase Rate	15.354	2.0%
1 year increase in the member life expectancy	35.993	4.0%

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

### Court of Appeal ruling and regulatory changes

As part of the actuarial valuation of Strathclyde Pension Scheme, carried out at 31 March 2020, the Scheme's actuaries, Hymans Robertson, included the impact of recent Court of Appeal rulings and other regulatory changes in their assessment of the Scheme's liabilities. This included the impact of a recent Court of Appeal in relation to transitional protection, consideration of the cost cap mechanism, regulatory changes in relation to Guaranteed Minimum Pension provision and a recent employment tribunal decision in relation to survivor benefit, known as the Goodwin ruling.



When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following a Court of Appeal ruling that similar transitional protections in other Schemes were unlawful on the grounds of age discrimination, there was a clear expectation that restitution would see many more members receiving enhanced benefits. 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. The Scheme's liabilities have been valued to include the impact of this ruling, in line with the instructions issued by the Scottish Public Pensions Agency.

The planned implementation of a Cost Cap mechanism, designed to protect employers from significant increases in future pension costs, has been deferred pending resolution of the McCloud judgement and no further adjustments to contributions rates or liabilities have been included at this time.

Following the introduction of the new Single State Pension in April 2016, regulations in relation to the Guaranteed Minimum Pension (GMP) were revised to make pensions schemes responsible for ensuring that the GMP for members reaching state pension age after 6 April 2016 keep pace with inflation. Strathclyde Pension Fund's actuary revised their assumptions on the basis that all increases will be paid for by employers. This has served to increase the value placed on the Scheme's liabilities. The impact of Guaranteed Minimum Pension (GMP) equalisation on historical transfers is considered unlikely to be significant and no allowances have been included within the actuarial calculations at this time.

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 actuarial valuation in relation to this estimates a very small impact for the typical Fund and no adjustments to account for this have been included at this time.

The actuaries, Hymans Robertson, are aware of additional court cases, namely Walker and O'Brien, that may also impact Local Government Pension Scheme (LGPS) benefits in the future. Allowances for potential remedies to these judgements have been deferred pending further guidance from the relevant governing bodies in the Local Government Pension Scheme (LGPS).

## Note 30: Unusable Reserves

	2022/23 £m	2021/22 £m
Revaluation Reserve	227.562	165.213
Capital Adjustment Account	521.116	518.424
Financial Instruments Adjustment Account	(5.205)	(5.987)
Pensions Reserve	29.324	(57.450)
Accumulated Absences Account	(11.487)	(11.606)
<b>Total Unusable Reserves</b>	<b>761.310</b>	<b>608.594</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.



	2022/23 £m	2021/22 £m
Balance at 1 April	165.213	161.834
Surplus or (deficit) on revaluation of non-current assets posted to the CIES	72.549	12.781
Difference between fair value depreciation and historical cost depreciation	(9.102)	(8.027)
Amount written off to the Capital Adjustment Account	(1.098)	(1.375)
<b>Balance at 31 March</b>	<b>227.562</b>	<b>165.213</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.

	2022/23 £m	2021/22 £m
Balance at 1 April	518.424	508.478
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	(37.346)	(47.494)
Gains/(losses) on the disposal of non current assets	0.585	1.381
Capital financing applied in the year:		
Adjustments involving the Capital Fund	0	1.161
Capital grants and contributions credited to the CIES that have been applied to capital financing	36.099	30.242
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	10.801	11.742
Capital expenditure charged against the General Fund and HRA balances	14.099	12.914
Transfer to General Fund in relation to Service Concession arrangements	(21.546)	0
<b>Balance at 31 March</b>	<b>521.116</b>	<b>518.424</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.

	2022/23 £m	2021/22 £m
Balance at 1 April	(5.987)	(6.769)
Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.777	0.777
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>(5.205)</b>	<b>(5.987)</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 balance on the Pensions Reserve indicates an asset. This has been determined by the Scheme actuaries as the net present value of any economic benefits available in the form of refunds or reductions in future contributions to Strathclyde Pension Fund, assuming that minimum funding levels are maintained.

	2022/23 £m	2021/22 £m
Balance at 1 April	(57.450)	(180.577)
Actuarial gains/(losses) on pensions assets and liabilities	429.788	167.150
Actuarial gains/(losses) on pensions assets and liabilities due to asset ceiling	(303.480)	0
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(39.534)	(44.023)
<b>Balance at 31 March</b>	<b>29.324</b>	<b>(57.450)</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.

	2022/23 £m	2021/22 £m
Balance at 1 April	(11.606)	(14.860)
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	0.119	3.254
<b>Balance at 31 March</b>	<b>(11.487)</b>	<b>(11.606)</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 7.

### Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in the Remuneration Report. During 2022/23 payment to voluntary organisations/charities to the value of £0.051m 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 and the Director of Communities are Directors 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 Group Accounts at Note 38.

## 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 2022/23 the following North Ayrshire Council financial transactions were made with North Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2022/23 £m	2021/22 £m
Contribution made to North Ayrshire IJB	120.549	107.059
Commissioning income received from North Ayrshire IJB	143.907	132.167
North Ayrshire IJB balance due (to)/from the Council	13.855	20.228

The balance due (to)/from the Council reflects the year end variance on health and social care activities. For 2022/23 income exceeded expenditure by £5.065m which has been earmarked by the IJB.

## 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 2022/23 as follows:

- Ayrshire & Arran Health Board (Health Resource Transfer) – grants and income of £24.003m.

## 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 2023, the Council had identified a number of 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 £0.459m 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 £0.020m (with the potential for this to rise to £0.271m). The guarantee avoids the Scottish Maritime Museum Trust's pension fund liability becoming due when the one remaining active member 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 £2.3m in respect of income for European Structural Fund (ESF) projects. The ESF programme ended on 31st December 2022 with some activities ongoing into 2023 to utilise the full financial allocation with a deadline for final claims to be submitted in June 2023. Claims in relation to the outstanding debtor have been submitted but are subject to audit by the Scottish Government before payments are released. It is estimated that North Ayrshire Council's risk exposure in relation to these claims is low. Shared Prosperity Funding was implemented from January 2023 which replaces the ESF programme and ensures continuity of service delivery.
6. The impact of supply chain issues and cost volatility across the construction sector has resulted in significant pressures for contractors who entered fixed price contracts. The Council is not contractually liable for any additional payments; however, this may be subject to challenge. The level of volatility may also impact on current and future projects as contractors may be less willing to enter into further fixed price contracts.
7. In response to issues identified in relation to Reinforced Autoclaved Aerated Concrete (RAAC), the Council is undertaking a review of our property estate. A risk-based analysis has been carried out, including with the assistance of a Structural Engineer and involving physical surveys at some locations. This work has identified RAAC within the roof structure of two properties operated by North Ayrshire Council. Further surveys and ferrous scans have been commissioned to inform our strategy and determine what mitigations may be required. The risk of encountering the material and the scope of locations in which it may be found is increasing as more information is made available to Central Government and the professional institutes and this will be closely monitored to ensure that any changes are reflected in our own surveys and mitigation strategies.

### Note 33: Events after the Balance Sheet Date

The unaudited accounts were authorised for issuing on 21 June 2023 by the Head of Finance. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in these accounts.

## Notes to the Cash Flow Statement

### Note 34: Cash Flow – Operating Activities

Net cash flow from Operating Activities	2022/23 £m	2021/22 £m
Net cash inflow from revenue activities	(51.736)	(73.967)
Interest received	(0.834)	(0.060)
Interest paid	18.478	18.760
<b>Total</b>	<b>(34.092)</b>	<b>(55.267)</b>

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



Non-cash Movements	2022/23 £m	2021/22 £m
Depreciation and Impairment	(46.370)	(55.442)
Amortisation	(0.078)	(0.079)
Movement in Pension Liability	(39.534)	(44.023)
(Decrease) / Increase in Inventories	(0.649)	0.715
(Decrease) / Increase in Debtors	(9.988)	21.647
Decrease / (Increase) in Bad Debt Provision	(1.374)	(2.056)
Decrease / (Increase) in Creditors	4.465	(19.349)
Carrying amount of non current assets sold	(0.809)	(4.388)
Other non cash items charged to the net surplus or deficit on the provision of services	0.148	0.105
<b>Total</b>	<b>(94.189)</b>	<b>(102.870)</b>

Investing and Financing activities	2022/23 £m	2021/22 £m
Proceeds from sale of non current assets	0.296	4.394
Capital Grants	36.099	30.242
<b>Total</b>	<b>36.395</b>	<b>34.636</b>

### Note 35: Cash Flow – Investing Activities

Net cash flow from Investing Activities	2022/23 £m	2021/22 £m
Purchase of property, plant and equipment, investment property and intangible assets	66.981	89.720
Proceeds from short term and long term investments	(3.954)	0
Purchase of short term and long term Investments	0	5.977
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.296)	(4.394)
Other receipts from investing activities	(36.099)	(30.242)
<b>Total</b>	<b>26.632</b>	<b>61.061</b>

### Note 36: Cash Flow – Financing Activities

Net cash flow from Financing Activities	2022/23 £m	2021/22 £m
Cash receipts of short term and long term borrowing	(15.000)	(25.000)
Cash payments for the reduction of the outstanding liabilities relating to PPP/NPD contracts	3.667	3.825
Repayments of short and long term borrowing	27.626	19.457
<b>Total</b>	<b>16.293</b>	<b>(1.718)</b>



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

Cash and cash equivalents	2022/23 £m	2021/22 £m
Cash held by officers	0.006	0.007
Bank current accounts	(2.553)	(1.670)
Short-term deposits	19.550	27.499
<b>Total</b>	<b>17.003</b>	<b>25.836</b>

## Notes to the Group Accounts

### Note 38: Notes to the Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 eight other entities. These organisations are entirely independent of the Council under law and for taxation.

#### Retirement Benefits

North Ayrshire Leisure Limited (NALL), a subsidiary 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.

The net pension liability is included within its share of the overall deficit on the Group CIES.

#### Valuation of Property, Plant and Equipment and Investment Properties

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 Strathclyde Concessionary Travel Scheme Joint Committee has no Property, Plant or Equipment.

	Common Good £m	Trust Funds £m	NAVT £m	NALL £m	2022/23 £m	Common Good £m	Trust Funds £m	NAVT £m	2021/22 £m
<b>Cost or Valuation</b>									
Balance at 1st April	1.955	0.145	1.997	1.383	5.480	2.045	0.145	1.837	4.027
Additions	0	0	0	0.390	0.390	0	0	0	0
Revaluations increases / decreases recognised in the Revaluation Reserve	0.001	0	(0.098)	(0.952)	(1.049)	(0.090)	0	0.160	0.070
Impairments recognised in the Net Cost of Services	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
<b>Balance at 31 March</b>	<b>1.956</b>	<b>0.145</b>	<b>1.899</b>	<b>0.821</b>	<b>4.821</b>	<b>1.955</b>	<b>0.145</b>	<b>1.997</b>	<b>4.097</b>



	Common Good £m	Trust Funds £m	NAVT £m	NALL £m	2022/23 £m	Common Good £m	Trust Funds £m	NAVT £m	2021/22 £m
<b>Accumulated Depreciation and Impairment</b>									
<b>Balance at 1st April</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.174</b>	<b>1.174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Depreciation Charge	0	0	0	0.055	0.055	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	0	0	(1.174)	(1.174)	0	0	0	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.055</b>	<b>0.055</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Book Value at 31st March</b>	<b>1.956</b>	<b>0.145</b>	<b>1.899</b>	<b>0.766</b>	<b>4.766</b>	<b>1.955</b>	<b>0.145</b>	<b>1.997</b>	<b>4.097</b>

## Depreciation

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

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

## Inventories

The Council, North Ayrshire Leisure Limited (NALL) and Strathclyde Partnership for Transport (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 subsidiary, 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, North Ayrshire Ventures Trust Ltd (NAVT) and North Ayrshire Leisure Ltd (NALL) have been treated as subsidiaries with assets, liabilities, reserves, income and expenses being consolidated on a line-by-line basis.



Since its inception, NALL has been reported in the annual accounts of North Ayrshire Council as an associate, reflecting the significant levels of influence exercised by the Council over its Board without having overall control. A revised assessment based on a number of factors, including increased funding and the financial guarantees provided by the Council to allow NALL to continue to operate during the pandemic, has resulted in NALL being reclassified as a subsidiary.

By reporting NALL as a subsidiary of the Council in the annual accounts, the accounts will meet the accounting requirements to recognise the level of influence and control which the Council currently exercises over NALL. This relationship will continue to be monitored annually and may be revised as the current economic situation develops. North Ayrshire Council has provided written confirmation of the level of financial support agreed for 2023/24 to support its continued adoption of the going concern basis of accounting.

The Group Comprehensive Income and Expenditure Statement on page 42 includes net comprehensive income for the year of £10.267m.

The Group Balance Sheet on page 44 includes net assets of £23.393m 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
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. 44.85% of NALL's income is received from the customers who use the Leisure facilities	North Ayrshire Leisure Limited, 22 Quarry Road, Irvine, KA12 0TH

	% Share	2022/23				2021/22			
		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%	4.095	0	(0.170)	(0.039)	4.055	0	(0.142)	(0.018)
Trust Funds	100%	0.530	0	(0.020)	(0.009)	0.521	0	(0.016)	(0.004)
North Ayrshire Ventures Trust	100%	8.168	(0.014)	(0.436)	(0.159)	8.146	(0.204)	(0.334)	0.127
North Ayrshire Leisure Ltd	100%	11.564	(0.950)	(4.695)	1.017	0	0	0	0

### Associates

An associate is a body over which North Ayrshire Council has significant influence. Strathclyde Partnership for Transport, the Strathclyde Concessionary Travel Scheme Joint Committee 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 42 includes net comprehensive expenditure for the year of £2.228m.



The Group Balance Sheet on page 44 includes net assets of £29.103m in relation to these bodies.

Further details for each entity are as follows:

Associate	Nature of Body	Accounts available from
Strathclyde Partnership for	Regional transport partnership for the West of Scotland	Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF
Strathclyde Concessionary Travel Scheme Joint Committee	Oversees the operation of the Concessionary Fares scheme for public transport in the West of Scotland	Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF
Ayrshire Valuation Joint Board	Maintains the electoral, council tax and non-domestic rates registers for the three councils of North Ayrshire, East Ayrshire and South Ayrshire	Ayrshire Valuation Joint Board, 9 Wellington Square, Ayr, KA7 1HL

	% Share	2022/23				2021/22			
		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 (restated) £m	Share of (Profit)/Loss £m
North Ayrshire Leisure Ltd	47.8%	Reclassified as a Subsidiary from 2022/23				0.903	(0.295)	(3.781)	0.583
Strathclyde Partnership for Transport	6.0%	29.631	(1.520)	(5.318)	(0.154)	30.242	(1.170)	(4.945)	(0.431)
Strathclyde Concessionary Travel Scheme Joint Committee	7.1%	0.379	(0.024)	(0.294)	(0.030)	0.362	(0.038)	(0.288)	(0.080)
Ayrshire Valuation Joint Board	36.3%	0.701	(0.064)	(0.978)	0.190	1.990	(0.055)	(0.950)	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 one joint venture, the North Ayrshire Integration Joint Board. The joint venture has been consolidated on an equity basis with a share of the surplus or deficit and net assets included within the group statements.

The Group Comprehensive Income and Expenditure Statement on page 42 includes net comprehensive expenditure for the year of £5.784m. In addition, the Group Comprehensive Income and Expenditure Statement includes a 50% share of the reported (surplus)/deficit of the North Ayrshire Integration Joint Board based on the agreed share of control.

The Group Balance Sheet on page 44 includes net assets of £8.832m in relation to these bodies.

Further details for this entity are as follows:

Joint Venture	Nature of Body	Accounts available from
North Ayrshire Integration Joint Board	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. There is an agreement that any over or underspends are shared between the controlling entities. The % splits vary depending on which service is involved.	North Ayrshire Council, Cunningham House, Irvine, KA12 8EE



	% Share	2022/23				2021/22			
		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%	8.832	0	(160.749)	5.784	15.777	(1.161)	(165.679)	(10.738)

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

	Strathclyde Partnership for Transport £m	Strathclyde Concessionary Travel Scheme Joint Committee £m	Ayrshire Valuation Joint Board £m	North Ayrshire Integration Joint Board £m	Total £m
Investment in Associates and Joint Ventures	28.111	0.355	0.637	8.832	37.935

## Accounting Policies and Assumptions

### 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 2023 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 Asset / Liability	<p>Estimation of the net asset / liability in relation to 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.</p> <p>In accordance with the requirements of IAS 19 and IFRIC 14, the Council has applied an asset ceiling of £29.324m. This is on the basis that a minimum funding requirement exists in relation to the Strathclyde Pension Fund.</p>	<p>The effects on the net pensions asset/liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the pension increase rate assumption would result in an increase in the pension liability of £15.354m. However, the assumptions interact in complex ways.</p> <p>If the current triennial valuation of the Strathclyde Pension Fund determines that no minimum funding requirement exists, an additional net pension asset of up to £303.480m may be recognised.</p>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any reduction in the current spend on repairs and maintenance may reduce the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for properties including Council houses would increase by £6.575m if useful lives were reduced by one year.



Collection Levels of Arrears	At 31 March 2023, the Council had a balance of trade debtors of £28.220m. A review of significant balances suggested that an allowance for potential impairment losses of 20% (£5.565m) 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 £0.557m to be set aside as an allowance.
Private Finance Initiatives, Non Profit Distributing Models and Similar Contracts	The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contracts are included within Property, plant and equipment on the Council's Balance Sheet. In terms of financial modelling, RPI and RPIX indices are used.	Any increase in these indices above that which are set in the funding models will require the Council to identify and allocate additional funding to the schemes. For instance, a 0.5% increase in the index rate used in the model would result in an increase of £14.836m in unitary charge payments over the remaining term of the arrangements.
Property Asset Values	Operational property assets are valued on a rolling 5 year basis. Intervening changes in market conditions, including rising building costs could mean that the carrying value of these assets is materially different from their true value based on market conditions or updated replacement cost value. A materiality threshold of £14.2m, per asset group, has been set in order to determine if the value of assets (with a valuation date other than 31st March 2023) was materially different from their carrying values as at 31st March 2023.	A proportion of the Council's property assets were valued as at 31st March 2023, as part of the Council's 5-year rolling valuation programme and the % change in the values of those assets was calculated. Of this group, the assets valued on a Depreciated Replacement Cost (DRC) basis showed an increase of 24%. When applied to the value of DRC assets which had not been valued in 2022/23, this indicated that the closing value of this asset group may have been £12.1m higher than their reported value, if they had been revalued in 2022/23. The remainder of the operational property assets, valued on a non-DRC basis, showed a reduction in value of 0.6%. When applied to the value of non-DRC assets which had not been valued in 2022/23 this indicated that the closing value of this asset group may have been £0.3m lower than their reported value, if they had been revalued in 2022/23. The difference between carrying value and indicative valuation movement is lower than the materiality threshold of £14.2m which has set, it is therefore considered that the closing asset values are not materially different from their true values.

#### 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 2023/24 Code due to be adopted in future years and the possible impact.

For the 2022/23 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

**IFRS 16 Leases** supersedes IAS 17 Leases and is being applied by the Code 1 April 2024. This will be voluntarily adopted by North Ayrshire Council from 1 April 2023. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, the Council have



elected to utilise the capitalisation threshold of £10,000 to determine the assets to be disclosed. The Council expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the Code for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Balance Sheet as (i) right of-use assets which represent the Council's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Balance Sheet will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

The Council has assessed the likely impact to i) comprehensive net expenditure and ii) the Balance Sheet of applying IFRS 16. The figures below represent existing leases as at 31 March 2023.

The standard is expected to increase total expenditure by £0.069m. Right-of-use assets totalling £0.180m will be brought onto the Balance Sheet, with an associated lease liability of £0.180m.

**IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** - amendments help distinguish between accounting policies and accounting estimates effective for annual periods beginning on or after 1 January 2023.

**IAS 1 Presentation of Financial Statements** - amendments require disclosure of material accounting policies rather than significant accounting policies. Previously the definition of significant was not provided. IFRS Practice Statement 2 (Making Materiality Judgements) has also been amended to support the amendments to IAS 1. The amendments are effective for annual periods beginning on or after 1 January 2023.

**IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction** - clarifies how companies account for deferred tax on transactions. The amendments are effective for annual periods beginning on or after 1 January 2023. In accordance with CIPFA LASAAC, the amendments to IAS 12 are considered to be outside the scope of local authority financial statements.

**IFRS 3 Business Combinations** - amendment updates a reference to the Conceptual Framework.

In all cases detailed above, implementation is required from 1 April 2023 or beyond, meaning that there is no impact on the 2022/23 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. Under the Council's Medium Term Financial Plan and Long Term Financial Outlook, a potential funding gap of £84.1m has been identified for the period to 2030/31. Through the development of robust financial planning and management to ensure that resources are targeted at key priorities, the Council has determined that any uncertainty over future funding 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 long term impact of the Covid pandemic on the local economy and the wider international impacts arising from the war in Ukraine have resulted in significant volatility in supply chain costs and contractor availability in relation to the energy, food, fuel and construction sectors. This is likely to impact both on the costs of providing services and in the demand for services from North Ayrshire residents going forward. The Council continues to monitor the situation carefully and has determined that the potential increase to operating costs is not yet sufficient to indicate that the assets of the Council might be impaired or that service levels may be reduced.
- In accordance with IFRS 10, the 2022/2023 financial results of North Ayrshire Leisure Limited (NALL) have been consolidated on a Subsidiary basis within the Council's group accounts. Previously, consolidation was on an Associate



basis. This change in accounting treatment reflects the increased level of financial support and other assurances provided by the Council to NALL in the wake of the Covid-19 pandemic. As a result 100% of NALL's assets and liabilities, with a net value of £10.614m, have been consolidated within the Group Balance Sheet compared to 47.8% in 2021/22.

- The Council has considered its exposure to possible losses and, in accordance with IAS 37, 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, and its existence is dependent on future events, material contingent liabilities have been disclosed in Note 32. These judgements have included the potential for future litigation in relation to events prior to the formation of North Ayrshire Council in areas including employers' liability and historic child abuse and reflect North Ayrshire Council's position as the statutory successor to a number of former local authorities.
- The Council has entered into Private Finance Initiatives, Non Profit Distributing Models and similar contracts for the provision of educational buildings, their maintenance and related facilities, and a share in a contract for waste recycling, recovery and treatment. The Council has considered the tests under IFRIC12 and determined that it controls the services provided under the contracts and the residual value of the schools at the end of the agreements. The accounting policies relating to PPP / NPD and similar contracts have been applied to these arrangements and assets with a net book value of £140.273m have been recognised as Property, Plant & Equipment on the Council's Balance Sheet.

## Note 42: Accounting Policies

### General Principles

The Accounts summarise the Council's transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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.

The accounts have been prepared on a going concern basis.

### 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.



## Allocation of Central Support Costs

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.

## 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.

## 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.

## 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 Repayment. Depreciation, revaluation and impairment losses and amortisation are replaced by the 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.

## 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; and
- 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 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 assets/ 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.

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

The assets/liabilities 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 asset/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 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 balance that arises on the Pensions Reserve thereby measures the 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.

### 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, which 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.

### 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 amortised 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 and Loss

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.

### 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 within the Capital Fund.

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.

### **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.

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not 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 5 and 10 years) to the relevant service line(s) in the CIES.

### **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.

### **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.

### **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.



## 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.

## 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.

## 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 Royal Institution of Chartered Surveyors (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 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 any asset 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 and Trusts 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 basis over a period not exceeding 5 years, with the exception of Surplus Assets and Investment Properties which are revalued annually.

Where a sample of assets in each category has been valued in the current financial year, the change in values for the sample assets shall be assessed and extrapolated to determine if a potential material movement in the value of all assets within that category is indicated. The materiality threshold has been determined as 1.5% of the previous formal valuation, for 2022/23 this is equivalent to £14.2m. Where a material movement is indicated, this will be disclosed within the annual accounts and additional valuation work will be undertaken in conjunction with colleagues from the Royal Institute of Chartered Surveyors to assess the valuations of all other assets within that category.

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 General Fund.

## 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.

The Council has determined, in accordance with Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities, that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be, and accounted for, as a nil amount. In accordance with the circular the Council is not required to make subsequent adjustments to the carrying amount of the asset with respect to that part.

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

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

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

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

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

In accordance with Scottish Local Government Finance Circular 10/2022, the Council has applied a statutory accounting flexibility to the PPP and NPD contracts to realign the value of the Liability Repayment element of the unitary charge to reflect a prudent charge for the repayment of the Liability across the useful economic life of the assets.



## 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.

### 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.

### 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.

### 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.



## Fair Value Measurement

The Council values some of its non-financial assets, such as Surplus Assets and Investment Properties (Common Good Funds and Trusts 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.

### **Accruals**

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

### **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.

### **Asset Ceiling**

The asset ceiling is the maximum net asset recognised in relation to the Council's share of the net assets of Strathclyde Pensions Fund and is calculated as the present value of any economic benefits available in the form of refunds from the Fund or reductions in future contributions to the Fund.

### **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.

### **Capital Financing**

The methods used to pay for capital expenditure. This can include borrowing, grants, leasing, capital receipts and revenue funding.

### **Capital Receipt**

The proceeds from the disposal of land or other non-current assets.

### **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 dependent 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.

### Entity

A corporate body, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

### 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 includes 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.

### Impairment

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

### 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.

### Net Book Value

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### 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.

### **Public Works Loan Board (PWLB)**

A Central Government Agency which provides loans for one year and above to Councils at interest rates based on those at which the Government can borrow itself.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses or allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

### **Reserves**

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**

Revaluations are adjustments to the value of an asset 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.