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Management Commentary

Introduction

This publication contains the financial statements of both North Ayrshire Council and its group for the year ended 31 March 2015.

The Management Commentary outlines the key messages in relation to the Council's financial planning and performance for the year 2014/15 and how this has supported delivery of the Council's core objectives. This commentary also looks forward, outlining the future financial plans for the organisation and the challenges and risks which we will face as we strive to meet the needs of the people of North Ayrshire.

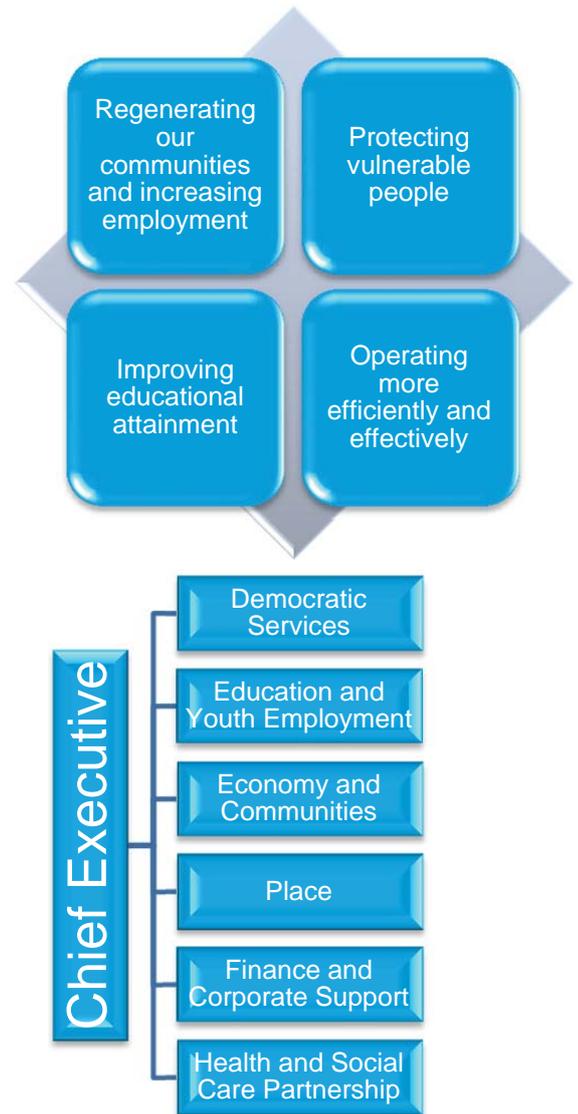
North Ayrshire Council

Home to 136,000 people, North Ayrshire covers an area of 340 square miles and includes the islands of Arran, Great Cumbrae and Little Cumbrae. Our communities are unique and varied with vibrant seaside towns, quaint rural villages and historic civic centres.

We are hugely ambitious for North Ayrshire and its residents and are committed to making sure the area reaches its full potential. The Council Plan 2012/17 outlines our vision for making North Ayrshire vibrant, diverse, connected, ambitious and visible. The Plan outlines our core objectives and our Council services are delivered through six core services, who have been working hard during 2014/15 to deliver these; both are illustrated in Exhibit 1.

The Council Plan is the Council's corporate plan and is supported by Directorate Plans and a variety of service strategies, investment and management plans which aid day to day service delivery. These plans and strategies identify what the Council wants to achieve, how it will deliver it and the resources required to secure the desired outcome. The Council Plan also works in support of the North Ayrshire Community Planning Partnership's Single Outcome Agreement. Strong financial planning and management underpins everything that we do to ensure that our limited resources are targeted in a way that makes a significant contribution to our objectives.

Exhibit 1: Council Objectives and Structure



The Annual Accounts 2014/15

The Annual Accounts report the financial performance of the Council and its group. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the Council's vision and its core objectives. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2014/15 Accounts have been prepared in accordance with this Code.

The Financial Plan

Councils need to account for their spending and income in a way which complies with our legislative responsibilities. Most day to day spending and income is recorded within the General Fund (pages 23 to 27) and the cost in relation to the management of our housing stock is recorded within the Housing Revenue Account (HRA) (pages 28 to 29). As part of our

medium term financial planning, North Ayrshire Council approved a balanced revenue budget to support the delivery of our core objectives.

For 2014/15 the Council budgeted to deliver General Fund Services at a cost of £319.0m and Housing Revenue Account Services at cost of £44.7m. As part of this budget we took the decision to invest some of our earmarked reserves in service delivery as part of our budget planning. Full details are illustrated in Exhibit 2.

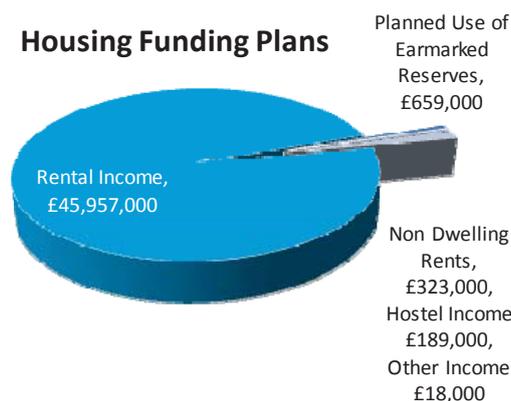
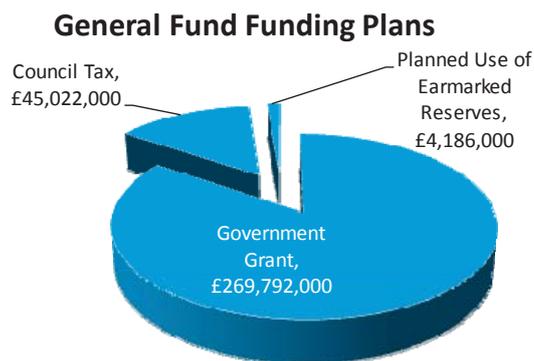
The Council is required to include accounting entries for the movement in pension liabilities each year. This movement is allocated to individual services and is included in our final budgeted and actual position shown in Exhibit 5. Statutory mitigation is in place for these costs which means they are excluded from the final position. These entries result in our budget for income and expenditure increasing by £5.8m to £324.8m.

Key to the delivery of Council services is investment in the assets which are used to deliver our services including schools, houses, infrastructure and the utilisation of capital funding to stimulate regeneration in local areas. In 2014/15 the Council budgeted for capital investment of £33.8m in General Fund and £28.0m in Housing. Details of funding plans are contained in Exhibit 3.

Exhibit 3: Capital Investment Funding Plans

	General Fund £m	Housing Revenue Account £m
Prudential Borrowing	2.909	13.276
Government Grant	14.420	3.978
External Funding	4.825	0.277
Capital Receipts	1.145	0.760
Revenue Contributions	1.709	7.735
Planned Use of Earmarked Reserves	8.763	1.973
Total	33.771	27.999

Exhibit 2: Revenue Funding Plans



Performance

The Council continues to embed a performance management culture throughout the organisation. It uses a wide range of performance information to manage services and target improvements for the people of North Ayrshire. This is supported by our performance management system which analyses data, tracks progress and identifies actions. Regular and robust performance information is provided to our communities, Elected Members and managers. Benchmarking is used to compare our performance with other organisations to support change and improvement.

The Council also embraces scrutiny including external inspection and self-assessment through national awards to obtain independent verification of performance.

In 2014/15, 62% of our performance indicators are either maintaining or improving on their performance from last year. Our indicators also show us that 73% of our targets have been met by services.

Similar to previous years, but expanding during this year, the Council has been externally recognised for its achievements.

The Council won numerous awards across a wide range of services and was shortlisted as the only Scottish Local Authority for the Local Government Chronicle (LGC) Awards for Most Improved Council. In December 2014 the Council submitted its proposal

for the Recognised for Excellence (R4E) award and in June 2015, received confirmation that it had been awarded 'Recognised for Excellence – 3 star' status.

Financial Performance

Financial information is part of this performance management culture with regular reporting of financial performance to Cabinet. This section summarises the main elements of our financial performance for 2014/15.

(a) General Fund Revenue Expenditure 2014/15

Exhibit 4 shows that an underspend of £7.4m has been secured against a budget of £324.8m through a combination of underspends in expenditure and the delivery of higher levels of income. The underspend included £4.2m of planned expenditure that was financed from the Council's reserve funds, together with a further £1.5m expenditure that was also financed from reserves. The accounting surplus was therefore £1.7m for 2014/15, as seen in the Movement in Reserves Statement on page 23, with further information in notes 3 and 4 on pages 37-39.

The Council elected to earmark £3.9m of the £7.4m underspend for service expenditure in 2015/16, which resulted in an un-earmarked sum of £3.5m (1.1%).

The underspend of £3.5m for the year on the General Fund reflects the robust financial management which is in place across the Council and can be analysed across the following broad categories:

- Lower than anticipated loan charges, as a result of the use of internal balances to fund capital investment, together with slippage on the capital programme (£1.4m);
- The impact of general inflation being less than anticipated at the start of the year (£0.9m); and
- Income being higher than anticipated as a result of lower than anticipated Council Tax Reduction payments and the collection of council tax for prior year debts (£1.9m).

Exhibit 4: General Fund Performance

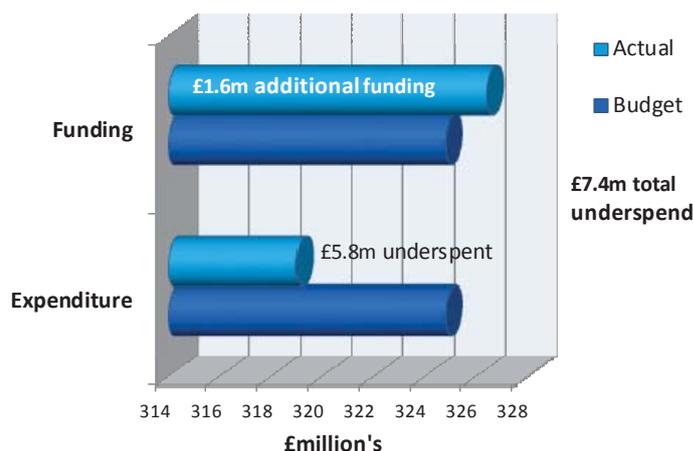


Exhibit 5 details performance by Council service for 2014/15. Three services overspent in 2014/15:

(1) Integrated Health and Social Care Partnership (£2.6m)

This service is taking action to manage pressures and to develop a model for service delivery which meets service demands within the available financial resources. This pressure on budgets has been recognised as part of the 2015/16 revenue budget and additional investment has been targeted at this service area.

(2) Place (£0.4m)

This overspend mainly relates to increased costs being experienced within Waste as a result of changing market conditions. Plans are being developed to address this within current budget plans for 2015/16.

(3) Economy and Communities (£0.1m)

This overspend was due to the temporary extension of programmes and the carry forward of commitments from 2013/14. There are no implications for future financial years.

Exhibit 5: Financial Performance for 2014/15

	Budget £m	Actual £m	Variance £m	Earmarking for 2015/16 £m	Unearmarked Balance £m
Chief Executive and Democratic Services	4.473	4.252	(0.221)	-	(0.221)
Finance & Corporate Support	10.997	10.186	(0.811)	0.586	(0.225)
Education and Young People	135.695	134.387	(1.308)	0.596	(0.712)
Place	44.893	44.529	(0.364)	0.764	0.400
Economy and Communities	36.268	35.639	(0.629)	0.738	0.109
Integrated Health and Social Care Partnership	98.464	101.101	2.637	-	2.637
Building Services	0.819	0.628	(0.191)	-	(0.191)
Balance for Services	331.609	330.722	(0.887)	2.684	1.797
Other Corporate Items	12.346	9.032	(3.314)	1.078	(2.236)
Financing Costs	(20.260)	(21.850)	(1.590)	0.150	(1.440)
Contribution to Funds	1.086	1.086	-	-	-
Total Expenditure	324.781	318.990	(5.791)	3.912	(1.879)
General Government Grant / NDR	(269.792)	(269.539)	0.253	-	0.253
Council Tax/Community Charge income	(45.022)	(46.882)	(1.860)	-	(1.860)
Use of Earmarked Reserves	(4.186)	(4.186)	-	-	-
Sub Total	(319.000)	(320.607)	(1.607)	-	(1.607)
Pension Liability	(5.781)	(5.781)	-	-	-
Total Funding	(324.781)	(326.388)	(1.607)	-	(1.607)
General Fund underspend for the year	-	(7.398)	(7.398)	3.912	(3.486)

General Fund Reserves

As at 31 March 2015 the Council has an uncommitted General Fund balance of £10.3m, equivalent to 3.2% of the Council's annual budgeted expenditure and to the position at 31 March 2015. Best practice recommends that local authorities should retain uncommitted reserves of between 2% and 4%, equivalent to between £6.5m and £13.0m for North Ayrshire Council. The Council's reserves policy will continue to be reviewed, particularly as the level of total reserves reduces due to the delivery of commitments over the next few years. Full details of the Council's General Fund Reserves are shown in Note 4 on page 39, along with information on future commitments.

(b) Housing Revenue Account 2014/15

The Housing Revenue Account incurred an underspend of £3.0m in the year compared to a budgeted break-even position. However, £0.7m was utilised during 2014/15 to fund estate based projects, non-adopted roads and lighting and the furnished tenancies service, resulting in a surplus of £2.3m as reported in Note 4 on page 39.

The main factors contributing to the final underspend at 31 March 2015 are as follows:

- Reduced write off of rent arrears as a result of Discretionary Housing Payments for under occupancy (£1.4m);
- Lower than anticipated loan charges, due to the use of internal balances to fund capital investment, together with slippage on the capital programme (£0.8m);
- Underspends in repairs and adaptations to housing stock (£0.6m); and
- Savings accruing from vacancy management across the service (£0.5m);

The surplus for the year of £2.3m, when added to the surplus brought forward at 1 April 2014 of £8.7m results in an accumulated HRA balance at 31 March 2015 of £11.0m. Further details of the Council's Housing Revenue Account Reserves are shown in Note 4 on page 39, along with information on future commitments.

(c) Trading Operations 2014/15

The Local Government Scotland Act requires Councils to maintain statutory trading accounts for "significant trading operations". Following a review of Building Services it is clear that this Service does not meet the definition of a significant trading operation as defined by the Local Government Scotland Act. This means that this service is no longer required to maintain a

statutory trading account. The financial performance of Building Services is reported within Exhibit 5.

(d) The Balance Sheet

The Balance Sheet on page 26 summarises the Council's assets and liabilities as at 31 March 2015, with explanatory notes provided in the full accounts. Total net assets have decreased by £117.0m to £407.7m this year. The major changes to the Council's Balance Sheet are explained in more detail below.

Long Term and Current Assets

Property, Plant and Equipment have decreased in value by £65.1m to £927.6m. This is mainly due to revaluations of Council dwellings (£27.1m) and Other Land and Buildings (£30.9m). The Council's main asset groups are revalued on a five year rolling programme. This year updates values from 2009/10 valuations. The decrease reflects the national downward trend in valuations of these asset types since 2009/10.

Current Liabilities

International Accounting Standard 19 Revised (IAS19R) requires the disclosure of the Council's share of Strathclyde Pension Fund's assets and liabilities, both current and future. The disclosure information is provided to the Council by the Pension Fund's actuaries following their annual valuation of the Fund.

The position at 31 March 2015 indicates a long term liability of £223.1m, compared to a liability of £171.9m on 31 March 2014, a movement of £51.2m. It is important that this liability is put in context. It is based on a snapshot valuation at 31 March 2015 and is a result of prevailing market conditions at that date, which remain low as a result of the current economic climate. Triennial valuations of the Fund are carried out with the last valuation taking place at 31 March 2014. The appointed actuaries remain of the view that the asset holdings of the Strathclyde Pension Scheme and the contributions from employees and employers provide sufficient security and income to meet future pension liabilities and that this scheme is adequately funded. This is the basis on which the Financial Statements have been prepared.

Long-term and Short-term Borrowing

The Council's annual Treasury Management Strategy outlines its policy in relation to borrowing and investment. This is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing comes from market loans and from the Public Works Loan Board. Further details are provided in Note 34 on page 60.

The Council regulates its capital spending limits within the prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council calculates its capital financing requirement (CFR) for the forthcoming year. The Council's gross

external debt increased by £10.0m to £225.4m at 31 March 2015 compared to the CFR limit of £264.2m. This demonstrates that borrowing has only been undertaken for capital investment purposes. It is also reflective of the Council's Treasury Management Strategy to make use of internal funds and to minimise the exposure to investment risk.

The ratio of financing costs to net revenue stream is a measure of affordability for debt repayments. The Council's ability to meet its borrowing costs is integral to its investment decisions. As at 31 March 2015, the ratios of financing costs to net revenue expenditure are as noted below:

- | | | |
|----------------|-------|----------------|
| • General Fund | 5.3% | (budget 6.0%) |
| • HRA | 18.2% | (budget 21.9%) |

The above confirms that financing costs are in line within planned limits and remain affordable and sustainable in the context of the overall resources available to the Council to deliver services.

Provisions, Contingencies and Write Offs

The Council has made provision for a number of eventualities which may have a material effect on the financial position of the Council. In 2014/15 provisions have been reduced by £0.451m to meet potential liabilities in relation to Equal Pay, Termination Benefits, Holiday Pay, Landfill Site Restoration and potential insurance claims for former councils. Details of these provisions are outlined in Note 31 on page 57.

There were a number of immaterial write-offs during the year which were approved by the Council's Cabinet or the Chief Executive and Executive Director of Finance and Corporate Support under delegated authority.

(e) Capital Programme 2014-15

General Services

General Service's capital expenditure in 2014/15 amounted to £32.0m against a final budget of £33.8m, i.e. an underspend of £1.8m (5.4%). £1.7m of the underspend is due to net slippage of projects between financial years. The remaining balance of £0.1m will be carried forward to fund new projects in 2015/16 and later years. Further details, including comparative figures for 2013/14, can be found in Note 23 on page 53.

Several major projects were successfully completed during the year, including Elderbank Primary School, Montrose House Care Home and Dirrans Rehabilitation Centre. Work has also commenced on the new Irvine Leisure Centre and Garnock School Campus which will form part of a significant capital investment programme planned over the coming years.

Housing Revenue Account

HRA capital expenditure in 2014/15 amounted to £27.0m against a final budget of £28.0m. i.e. an underspend of £1.0m (3.6%). £0.1m of expenditure was accelerated from future financial years and will be met from the approved programme for 2015/16. This offsets a true underspend for the year of £1.1m, which will result in a decrease in the borrowing requirement.

Further details, including comparative figures for 2013/14, can be found in Note 23 on page 53. Progress continued to be made during the year towards the achievement of the Scottish Housing Quality Standard, with 98.2% of houses being assessed as having met the standard at 31 March 2015. During 2014/15 the Council continued with its plans to build 500 new houses over 10 years, with 126 houses completed at Redstone Avenue and John Galt.

Financial Outlook, Risks and Plans for the Future

The UK economy continues to show signs of recovery with inflation and unemployment falling and growth taking place in a number of sectors. Despite this, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted for 2016/17 to 2018/19.

In addition to economic performance, other factors will influence the availability of funding for the public sector including elections in each of the next two years, financial powers arising from the Scotland Act 2012, recommendations arising from the Smith Commission, the introduction of a Single Tier Pension Scheme in 2016 and the demographic challenges that North Ayrshire is facing.

The most significant risks faced by the Council over the medium to longer term can be summarised as follows:

- the impact of Welfare Reform on the residents of North Ayrshire;
- the increased demand for services alongside reducing resources;
- the wider financial environment, which continues to be challenging; and
- the socio-economic inequalities prevalent in North Ayrshire.

The North Ayrshire Integrated Joint Board (IJB), with responsibility for social care and a range of health services was established and came into effect in April 2015. The IJB will be responsible for financial and strategic oversight of these services. Significant activity has taken place during 2014/15 including the establishment of an Integration Scheme which sets out the terms and conditions of the integration and the relationship between the Council, the Health Board and the Partnership and the development of a strategic plan which sets out the services which will be provided by the Partnership. Work will continue into 2015/16 to

ensure effective financial stewardship by the Partnership, to ensure this new partnership is well placed to deliver integrated services.

We have taken appropriate steps to address the challenging financial climate and the reductions in financing that we anticipate over the next few years. We have responded well to reductions in funding, already delivering £49.0m of savings over the period 2010/11 to 2014/15. This work has continued with the approval of the Council's medium term budget plan which will deliver a further £23.3m of savings over the next three years (2015/16 to 2017/18). This is supplemented by the ten year financial strategy (2013/14 to 2022/23) and by the availability of good quality financial information.

Our long-term financial strategy, approved in May 2013, provides visibility of the financial challenge, including demographic and other cost pressures and the uncertainty of future funding levels, over the 10 year period, allowing us to proactively develop longer-term mitigation strategies. This reflects sound financial planning and is critical for the sustainability of key services and the financial stability of the Council. Our Reserves Strategy is another key element of its financial planning.

Moving into 2015/16, we continue to be proactive in addressing the funding challenges presented while, at the same time, providing services for the residents of North Ayrshire.

We have well established plans for the future, and the Council Plan has been updated for 2015 to 2020, setting out our ambitions and priorities for the next five years and how we will work with our local communities and partners to achieve them. Our mission is 'To improve the lives of North Ayrshire people and develop stronger communities'. By considering our opportunities and our challenges we have identified five new Strategic Priorities that we believe will improve outcomes for all our residents now and in the future. These are illustrated in Exhibit 6.

Our innovative and evolving Neighbourhood Planning model will target public sector resources at those local areas most in need. The model is being developed around six neighbourhood areas and will ensure that we continue to make better use of resources and are more creative in the development and deployment of services. This approach will increase local accountability and ensure that public services are designed, configured and delivered to meet local needs.

Exhibit 6: New Strategic Priorities (2015-2020)



Supplementary Information

(a) Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council on all the main statements. Further details of the associated entities that have been incorporated into the financial statements can be found in Note 38 on page 64.

(b) Common Good and Trust Funds

Common Good Funds are administered by the local authority for the general benefit of its communities. Some were established by Royal Charter, others were created by the local authorities themselves. In North Ayrshire, six funds exist for the former burgh areas of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston. Overall the Common Good Funds achieved an in-year surplus of £0.010m which, when added to the surplus brought forward, results in an accumulated surplus as at 31 March 2015 of £1.7m.

Details of income and expenditure accounts and balance sheets can be found on page 30 of these

accounts. These funds are prepared on a cash basis. The main source of income to Common Good Funds is interest on balances invested. In 2014/15, Common Good Funds continued to be affected by the low rates of interest as a result of the current economic climate. None of the Common Good Funds are registered charities.

The Council administers several Trust Funds which were established for a range of purposes, including the provision of school prizes at designated schools, the maintenance of specified lairs at cemeteries and to support specific community groups or individuals.

Details of income and expenditure accounts and balance sheets can be found on page 31 of these accounts. Overall the Trust Funds achieved an in year surplus of £0.002m which, when added to the surplus brought forward, results in an accumulated surplus as at 31 March 2015 of £0.5m.

North Ayrshire Council's Trust Funds, where the Council is the sole trustee, are required to prepare their own Accounts and Trustees' Annual Report. These are subject to separate external audit and are available on the Council's website.

Conclusion

We have continued to demonstrate sound financial management in 2014/15 by delivering services with the resources which are available to us. The pressures being experienced by services in relation to demand are known to us and plans are in place to mitigate this moving forward into the future and have been reflected in our medium and long term financial plans.

We know we will face many challenges in the future from the combined effect of reduced resources, increasing demands and expectations for our services and the high levels of deprivation in some of our communities.

Yet we are confident that by working more creatively with all our residents and partners, we will not only

embrace these challenges but will improve our performance and service delivery, thereby improving the lives of those we serve.

Where to Find More Information

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

These can be found at:

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

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



A handwritten signature in cursive script that reads "Elma Murray".

Elma Murray
Chief Executive
28 September 2015



A handwritten signature in cursive script that reads "Willie Gibson".

Councillor Willie Gibson
Leader of the Council
28 September 2015



A handwritten signature in cursive script that reads "Laura Friel".

Laura Friel, BAcc, CPFA
Executive Director
(Finance and Corporate Support)
28 September 2015

Statement of Responsibilities

Responsibilities of the Council

The Council is required:

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

I confirm that the audited Annual Accounts were approved for signature at a meeting of the Audit Committee on 28 September 2015.



A handwritten signature in black ink, appearing to read 'Willie Gibson', with a long horizontal line underneath.

Councillor Willie Gibson
Leader of the Council
28 September 2015

Responsibilities of the Executive Director (Finance and Corporate Support)

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

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

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice;
- Kept proper accounting records that were up to date;
- 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 2015.



A handwritten signature in black ink, appearing to read 'Laura Friel', with a long horizontal line underneath.

Laura Friel, BAcc, CPFA
Executive Director (Finance and Corporate Support)
28 September 2015

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 remuneration 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. Individuals in receipt of these benefits are listed in Tables 1 to 5, along with the benefits each receives. The total remuneration and expenses for all Councillors is shown in Table 6. This report also provides information on the number of employees whose annual remuneration was £50,000 or more. This information is disclosed in bands of £5,000 and is provided in Table 7. Summary information in relation to employees' exit packages, including redundancy costs, ex-gratia payments and other departure costs can be found in Table 8.

Remuneration of Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/15 the salary for the Leader of North Ayrshire Council was £33,123. The regulations permit the Council to remunerate one post of Provost. The regulations set out the maximum salary that may be paid to the post of Provost. Council policy is to pay at the national maximum. For 2014/15 the salary for the Provost of North Ayrshire Council was £24,842.

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. The maximum yearly amount that may be paid to a Senior Councillor is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all its Senior Councillors (excluding the Provost and Leader) should not exceed £289,814.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salaries within these maximum limits. The Council has appointed 11 Senior Councillors, with 75% of the Leader's salary payable to the Depute Leader and the Leader of the largest minority party. The remaining Senior Councillors receive an annual salary of £19,458.

In 2014/15, in addition to the Leader of the Council and the Provost, North Ayrshire Council had 11 Senior Councillors, and the remuneration paid to these Councillors totalled £225,066. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

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

Glasgow City Council administers the Local Government Pension Scheme on behalf of 12 unitary local authorities including North Ayrshire Council and information on the scheme is available at <http://www.spfo.org.uk>.

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/146 sets the amount for the salary for the Chief Executive of North Ayrshire Council for the period 2013 to 2015. The salaries of the Directors and Heads of Service are based on a fixed percentage of the Chief Executive's salary. Senior employees do not receive any other benefits. Details of the Remuneration of Senior Employees are shown in Table 2.

The Chief Executive also holds a position of Director in Irvine Bay Regeneration Company and Irvine Bay Development Company. Both the Chief Executive and the Executive Director (Finance and Corporate Support) were directors of North Ayrshire Ventures Trust Limited during 2014/15. There is no remuneration associated with these positions.

Table 1: Remuneration of Senior Councillors

Councillor Name and Responsibility	Total Remuneration 2014/15 £	Total Remuneration 2013/14 £
Alan Hill: Cabinet Member and Depute Leader	24,842	24,597
Alex McLean: Cabinet Member (until 8 October 2013)	-	10,082
Anthea Dickson: Cabinet Member	19,458	19,266
Anthony Gurney: Cabinet Member	19,537	19,290
John Bruce: Cabinet Member (from 8 May 2013)	19,458	17,313
John Ferguson: Cabinet Member (until 14 April 2013)	-	739
John Hunter: Chair, Scrutiny and Petitions Committee	19,458	19,266
Marie Burns: Cabinet Member	19,458	19,266
Matt Brown: Chair, Planning Community & Local Review Body	19,458	19,266
Peter McNamara: Leader of Largest Minority	24,885	24,655
Robert Barr: Depute Provost	19,596	19,546
Ronnie McNicol: Chair, Licensing Committee	19,458	19,266
Ruth Maguire: Cabinet Member (from 9 October 2013)	19,458	9,184
Sub Total	225,066	221,736
Joan Sturgeon: Provost	25,511	25,151
William Gibson: Leader of the Council	33,123	32,795
Total	283,700	279,682

Note: Total remuneration consists of salaries, fees and allowances only. Councillor Matt Brown held the position of chair of the Ayrshire Valuation Board for which he received remuneration of £1,244. This sum was initially paid by the Council and then recovered from the Valuation Board. This is not included in the figure above.

Table 2: Remuneration of Senior Employees of the Council

Name and Post Title	Total Remuneration 2014/15 £	Total Remuneration 2013/14 £
Elma Murray Chief Executive	129,141	127,863
Elma Murray Returning Officer/Counting Officer	9,375	-
Laura Friel Executive Director, Finance and Corporate Support	103,251	100,384
Iona Colvin Corporate Director, Social Services and Health (until 31 December 2013)	-	75,288
Iona Colvin Director, North Ayrshire Health and Social Care Partnership (from 1 January 2014)	103,251	25,096
Craig Hatton Executive Director, Place	103,251	100,384
Karen Yeomans Executive Director, Economy and Communities (from 1 August 2014) Full year equivalent £103,251	68,834	-
John Butcher Executive Director, Education and Youth Employment (from 15 September 2014) Full year equivalent £103,251	56,261	-
Andrew Fraser Monitoring Officer	81,217	76,532
Carol Kirk Corporate Director, Education and Skills (until 31 March 2014)	-	108,654
Total	654,581	614,201

Note: Total remuneration consists of salaries, fees and allowances only; and the role of Director, North Ayrshire Health and Social Care Partnership is 50% funded by the NHS.

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. A Councillor's pay 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.

For local government employees there is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

Prior to 2009 contribution rates were set at 6% for all non-manual employees. From 1 April 2009 a five tier contribution system was introduced 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 2014/15 are shown in Table 3.

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service (prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

The pension figures shown in Tables 4 and 5 relate to the benefits that the person has accrued as a consequence of their relevant local government service and not just their current appointment. The pension entitlements for Senior Councillors for the year to 31 March 2015 are shown in table 4, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Councillor Burns is not a member of the pension scheme and Councillor Brown was not a member of the pension scheme at 31 March 2015.

Table 3: Tier and Member Contribution Rates

Whole time pay	Contribution rate 2014/15	Whole time pay	Contribution rate 2013/14
On earnings up to and including £20,500	5.50%	On earnings up to and including £20,335	5.50%
On earnings above £20,500 and up to £25,000	7.25%	On earnings above £20,335 and up to £24,853	7.25%
On earnings above £25,000 and up to £34,400	8.50%	On earnings above £24,853 and up to £34,096	8.50%
On earnings above £34,400 and up to £45,800	9.50%	On earnings above £34,096 and up to £45,393	9.50%
On earnings above £45,800	12.00%	On earnings above £45,393	12.00%

Table 4: Pension Benefits of Senior Councillors

Name and Post Title	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2015	For year to 31 March 2014	As at 31 March 2015		Difference from 31 March 2014	
	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £
Alan Hill: Cabinet Member and Depute Leader	4,794	4,747	2,099	1,392	316	26
Anthea Dickson: Cabinet Member	3,755	3,718	1,473	182	252	2
Anthony Gurney: Cabinet Member	3,755	3,718	1,738	1,152	249	12
Joan Sturgeon: Provost	4,794	4,747	2,575	1,489	419	48
John Bruce: Cabinet Member (from 8 May 2013)	3,755	3,662	895	-	321	-
John Ferguson: Cabinet Member (until 14 April 2013) *	-	3,186	-	-	n/a	n/a
John Hunter: Chair, Scrutiny and Petitions Committee	3,755	3,718	2,149	220	332	(2)
Matt Brown: Chair, Planning Community & Local Review Body	2,997	3,956	-	-	n/a	n/a
Peter McNamara: Leader of Largest Minority	4,794	4,747	2,901	1,677	423	22
Robert Barr: Depute Provost	3,755	3,718	973	-	327	-
Ronnie McNicol: Chair, Licensing Committee	3,755	3,718	2,141	845	331	10
Ruth Maguire: Cabinet Member (from 9 October 2013)	3,755	3,429	665	-	473	-
William Gibson: Leader of the Council	6,393	6,329	3,311	1,914	556	74
Total	50,057	53,393				

* Pension Contributions for Councillor Ferguson to 31 March 2014 relate to all duties and not just those of senior councillor

Pension entitlements for senior employees for the year to 31 March 2015 are shown below in table 5, together with the contribution made by the Council to each senior employee's pension during the year.

Table 5: Pension Benefits of Senior Employees of the Council

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2015	For year to 31 March 2014	As at 31 March 2015		Difference from 31 March 2014	
Name	Post Title	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £
Elma Murray	Chief Executive	24,924	24,678	54,995	126,244	2,675	1,249
Elma Murray	Returning Officer / Counting Officer	1,012	-	-	-	n/a	n/a
Laura Friel	Executive Director, Finance and Corporate Support	19,927	19,374	41,965	94,920	2,838	2,635
Iona Colvin	Corporate Director, Social Services and Health (until 31 December 2013); Director, North Ayrshire Health and Social Care Partnership (from 1 January 2014)	19,927	19,374	43,228	98,707	2,874	2,741
Craig Hatton	Executive Director, Place	19,927	19,374	51,904	-	3,115	-
Karen Yeomans	Executive Director, Economy and Communities (from 1 August 2014)	12,221	-	4,398	-	n/a	n/a
John Butcher	Executive Director, Education and Youth Employment (from 15 September 2014)	10,842	-	934	-	n/a	n/a
Andrew Fraser	Monitoring Officer	15,675	14,771	32,902	75,091	2,189	2,084
Carol Kirk	Corporate Director, Education and Skills (until 31 March 2014)	-	19,374	-	-	n/a	n/a
Total		124,455	116,945				

Remuneration paid to Councillors

North Ayrshire Council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors previously listed) during the year:

Table 6: Total Remuneration Paid To Councillors

Type of Remuneration	2014/15 £	2013/14 £
Salaries	560,072	558,532
Expenses	35,450	41,465
Total	595,522	599,997

The annual return of Councillors' salaries and expenses for 2014/15 is available for any member of the public to view at all Council libraries and public offices during normal working hours, and is also available on the Council's website at www.north-ayrshire.gov.uk under Councillors>Members Expenses and Allowances.

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. This information is provided in bands of £5,000.

Table 7: General Disclosure by Pay Bands

Remuneration Bands	Number of Employees	
	31 March 2015	31 March 2014
£50,000-£54,999	71	75
£55,000-£59,999	23	17
£60,000-£64,999	3	2
£65,000-£69,999	6	2
£70,000-£74,999	1	1
£75,000-£79,999	4	11
£80,000-£84,999	4	-
£85,000-£89,999	1	-
£90,000-£94,999	1	-
£95,000-£99,999	-	-
£100,000-£104,999	3	3
£105,000-£109,999	-	1
£110,000-£114,999	-	-
£115,000-£119,999	-	-
£120,000-£124,999	-	-
£125,000-£129,999	1	1
Total	118	113

Exit Packages

The Council has set aside funding to support a voluntary early release scheme for employees to facilitate service redesign. As a result, a number of staff left the Council during 2014/15, either through the voluntary early release scheme, voluntary redundancy or normal retirement.

There were no compulsory redundancies.

For the purposes of this note, Exit Packages, as detailed in Table 8, include:

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded - maximum three years); and
- A capitalised value of the recurring Compensatory Added Years payment. This represents the amount which the Council has to pay to the pension fund because the employee has retired with enhanced service (maximum three years). This amount is paid on an annual basis once a person has left employment with the Council and is therefore a notional cost at 31 March 2015.
- The figures include employees who have committed to leave during 2014/15, although their actual leaving date may be later than 31 March 2015

Table 8: Exit Packages

Band	2014/15		2013/14 (restated)	
	Number of Employees	Value £	Number of Employees	Value £
£0-£20,000	32	283,006	73	552,991
£20,001-£40,000	6	168,116	22	682,595
£40,001-£60,000	5	252,665	17	856,022
£60,001-£80,000	2	149,810	16	1,125,653
£80,001-£100,000	4	368,923	6	521,255
£100,001-£150,000	2	258,697	4	463,027
£150,001-£200,000	1	157,483	2	335,519
£200,001-£250,000	-	-	2	428,470
£250,000+	1	261,704	-	-
	53	1,900,404	142	4,965,532



Elma Murray

Elma Murray
Chief Executive
28 September 2015



Willie Gibson

Councillor Willie Gibson
Leader of the Council
28 September 2015

Annual Governance Statement

The Annual Governance 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.

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.

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 Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the revised code for 2014/15 is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunninghame House, Irvine KA12 8EE.

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 and the activities through which it accounts to, engages with and leads the community. 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.

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 North Ayrshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework

The main features of the governance framework that was in place during 2014/15 are summarised below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and five members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and also included church and teaching profession representatives. The Scrutiny and Petitions Committee was in place to review decisions taken by the Cabinet, amongst other responsibilities, and the Audit Committee considered all matters in relation to Internal and External Audit and Risk Management;
- 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;
- The Council has 2 cross-party 'advisory panels' with remits covering 'Physical Environment' and 'Communities and Lifelong Learning'. These have no specific delegated powers; however, they provide input to policy direction prior to submission of policy proposals to Cabinet.
- The Council's purpose and vision are outlined in the Council Plan which links closely to the vision of the North Ayrshire Community Planning Partnership and the Single Outcome Agreement and is underpinned by an annual action plan and performance indicators. Regular progress reports on the delivery of the Council Plan were provided to the Cabinet and Scrutiny and Petitions Committee;
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the Council. An annual action plan for 2014/15 outlined the actions which will contribute to the vision that 'by 2014, the Council will have sector-leading performance management systems and a supporting culture in place'. Regular reporting to Elected Members takes place and in September 2014, the Council published a wide range of performance information on the 'North Ayrshire Performs' website;
- The Council has adopted a 'Code of Conduct' for all of its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place;
- The approach to risk management is set out in the Risk Management Strategy. The Council's strategic risk register for 2014/15 was reported to the Cabinet in March 2014;
- The Council has in place a development programme for all Elected Members. Development programmes are also in place for the extended Corporate

Management Team and senior managers across the Council. A Performance and Personal Development (PPD) scheme is in place for all employees, the aim of which is to focus all employees on their performance and development that contributes towards achieving service objectives;

- The Council has established six Neighbourhood Planning Forums, reflecting the previously agreed local planning areas. These provide Elected Members with the opportunity to be involved in considering the priorities for each area and outline the role for each Community Planning Partner in meeting these priorities in conjunction with the local communities.
- In order to enhance its asset management arrangements, the Council has established the Corporate Asset Management Strategy, covering the period 2013-2023. This is underpinned by six themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet.
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Executive Director (Finance and Corporate Support), is in place. This group considers business cases in relation to proposed capital projects and monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget.
- The Council has a ten-year financial strategy (2013-2023), the primary objective of which is to ensure longer term financial sustainability that provides for appropriate investment in priority services.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31 March 2015.

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 the Extended Corporate Management Team within the Council. In particular, the system includes:

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

- Formal project management disciplines.

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2010)'.

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

Review of Effectiveness

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 Corporate Management Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Internal Audit, Risk and Performance) and reports from Audit Scotland and other review agencies.

The Executive Director (Finance and Corporate Support) has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Internal Audit, Risk and Performance) is responsible for the management of the section and reports directly to the Executive Director on all audit matters, with the right of access to the Chief Executive and Chair of the Audit Committee on any matter. The Internal Audit section is fully resourced to deliver its 5-year audit plan. In accordance with the principles of the code of corporate governance, regular reports were made to the Council's Audit Committee throughout 2014/15.

As detailed in the 'Internal Audit Charter' that has been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. During 2014/15, the service operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards. The Senior Manager (Internal Audit, Risk and Performance) prepares an annual report to the Audit Committee, including an assurance statement containing a view on the adequacy and effectiveness of the system of internal control.

Significant Governance Issues during 2014/15

In March 2015, the Council approved a new Council Plan 2015-2020 which includes refreshed strategic priorities and new mission and vision statements. The mission is 'to improve the lives of North Ayrshire people and develop stronger communities' while the new vision is 'to be a leading organisation defined by excellent and innovative services'.

The updated Assurance and Improvement Plan (AIP) 2014-2017, published in May 2014 by the Local Area Network of external inspection agencies, noted that there were no scrutiny risks in the Council which required specific scrutiny work to be carried out.

In order to strengthen governance arrangements around the Council's change programme, a 'Transformation Board' was established during 2014/15, chaired by the Executive Director (Finance and Corporate Support) and with senior representation from all Council services; this Board has oversight of all the Council's significant transformation projects.

The Council, in partnership with NHS Ayrshire and Arran, continued to progress towards the establishment of an integrated Health and Social Care Partnership. During 2014/15, the shadow partnership established its senior management structure and approved the Integration Scheme and Strategic Plan documents for submission to the Scottish Government. Approval was received and the North Ayrshire Integration Joint Board was formally established in April 2015.

The Council's drive to develop its performance management arrangements was recognised with the achievement of a Committed to Excellence (C2E) award during 2012 from Quality Scotland. The Council submitted its proposal for the Recognised for Excellence (R4E) award in December 2014 and underwent an external assessment during March 2015. In June 2015, the Council received confirmation that it had been awarded 'Recognised for Excellence – 3 star' status.

The Council approved revised versions of a number of its key governance documents during 2014/15: the Financial Regulations, Codes of Financial Practice, Scheme of Administration and Standing Orders Relating to Meetings. In addition, a revised 'Scheme of Delegation to Officers' was developed which was approved by Council on 1 April 2015.

In February 2015, the Council approved revised 'Guidelines for Member/Officer Relations' which support the national 'Councillors Code of Conduct'; the guidelines help ensure clarity around the respective role of Elected Members and officers and provide guidance on how to resolve any issues which arise.

In May 2014, the Cabinet approved a revised Extended Corporate Management Team structure, to better address the Council's key priorities and to reflect the

creation of the integrated Health and Social Care Partnership.

During 2014/15, the Performance Management Forum updated the Council's Performance Management Strategy; the revised document was approved by Cabinet on 20 April 2015.

In order to enhance the Council's anti-fraud arrangements, the Cabinet approved the creation of a dedicated Corporate Fraud team in November 2014, as part of Internal Audit. A new 'Counter Fraud and Corruption Strategy' was also approved in January 2015, replacing the former 'Policy for the Prevention and Detection of Fraud'.

The Council's information governance framework was enhanced during 2014/15 through the creation of a new Information Governance team and the establishment of the Information Management Governance Group and Data Protection Advisory Group. The Cabinet also approved the Council's Records Management Plan in March 2015 for submission to the Keeper of the Records of Scotland; this assists with the Council's obligations under the Public Records (Scotland) Act 2011.

In support of the ten-year Corporate Asset Management Strategy, the Cabinet approved revised asset plans and associated action plans covering the period 2014-2017 in May 2014.

The Council continued to develop its 'Outcome Based Budgeting' approach which assisted with the preparation of the balanced budget for 2015-2018. This approach provides greater transparency on how the Council spends its current resources and provides a framework which gives greater clarity on the services which contribute most to the Council's core objectives. The approach will continue to be developed and will inform the next phase of transformation, assisting the Council to address its anticipated future funding gap whilst maximising delivery of strategic objectives.

The Internal Audit Annual Report 2014/15, received by the Audit Committee on 25 May 2015, highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Internal Audit, Risk and Performance) that the Council's systems of internal control continue to provide reasonable assurance against loss.

Further Actions

The Council has identified the following actions for 2015-16 that will assist with the further strengthening of corporate governance arrangements:

- Public consultation to assist with developing the preferred local governance structures for Neighbourhood Planning during 2015;

- Further development of the 'Outcome-Based Budgeting' approach;
- Updating the long-term financial strategy to cover the period to 2026-2027;
- Launching the 'People Strategy' which will 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 high performing organisation where people can develop and thrive.
- The Council is satisfied that proper due diligence has taken place in respect of funding payable to the Integrated Joint Board. This will be monitored on an on-going basis.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2014/15 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.



Elma Murray

Elma Murray
Chief Executive
28 September 2015



Willie Gibson

Councillor Willie Gibson
Leader of the Council
28 September 2015

Independent Auditor's Report

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

I certify that I have audited the financial statements of North Ayrshire Council and its group for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973.

The financial statements of the council and its group comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and Cash Flow Statement, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Common Good and Trust Statements, the Non Domestic Rates Account, the Council Tax Account, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 code).

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

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 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.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.



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

28 September 2015

The Financial Statements

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

Usable reserves are those that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges).

Unusable reserves are those that the Council is not able to use to provide services, such as the Revaluation Reserve, which holds unrealised gains or losses and where amounts would only become available to provide services if the assets are sold.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and rent setting purposes, due to accounting regulations and the need to comply with the various Codes.

Movement in reserves during 2014/15	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Reserves of Associates Subsidiaries and Joint Ventures	Total Group Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2014	25.155	8.724	20.995	54.874	469.802	524.676	20.511	545.187
Surplus or (Deficit) on provision of services	(34.177)	2.686	-	(31.491)	-	(31.491)	(0.277)	(31.768)
Other Comprehensive Expenditure and Income	-	-	-	-	(85.532)	(85.532)	0.570	(84.962)
Total Comprehensive Expenditure and Income	(34.177)	2.686	-	(31.491)	(85.532)	(117.023)	0.293	(116.730)
Adjustments between accounting basis and funding basis under regulations (note 3)	35.917	(0.146)	(7.326)	28.445	(28.445)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	1.740	2.540	(7.326)	(3.046)	(113.977)	(117.023)	0.293	(116.730)
Transfers to/(from) Earmarked Reserves	(0.992)	(0.201)	1.193	-	-	-	-	-
Increase/(Decrease) in Year	0.748	2.339	(6.133)	(3.046)	(113.977)	(117.023)	0.293	(116.730)
Balance at 31 March 2015 (notes 4 and 9)	25.903	11.063	14.862	51.828	355.825	407.653	20.804	428.457

Movement in reserves during 2013/14	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Reserves of Associates Subsidiaries and Joint Ventures Restated £m	Total Group Reserves Restated £m
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013	32.636	7.173	19.278	59.087	491.074	550.161	(329.144)	221.017
Surplus or (Deficit) on provision of services	(15.716)	(0.683)	-	(16.399)	-	(16.399)	0.021	(16.378)
Other Comprehensive Expenditure and Income	-	-	-	-	(9.736)	(9.736)	0.842	(8.894)
Write-off of the Council's share of Police and Fire unusable reserves	-	-	-	-	-	-	348.792	348.792
Total Comprehensive Expenditure and Income	(15.716)	(0.683)	-	(16.399)	(9.736)	(26.135)	349.655	323.520
Adjustment relating to capital provisions	-	-	-	-	0.650	0.650	-	0.650
Adjustments between accounting basis and funding basis under regulations (note 3)	11.792	2.392	(1.998)	12.186	(12.186)	-	-	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(3.924)	1.709	(1.998)	(4.213)	(21.272)	(25.485)	349.655	324.170
Transfers to/(from) Earmarked Reserves	(3.557)	(0.158)	3.715	-	-	-	-	-
Increase/(Decrease) in Year	(7.481)	1.551	1.717	(4.213)	(21.272)	(25.485)	349.655	324.170
Balance at 31 March 2014 carried forward (note 4 and 9)	25.155	8.724	20.995	54.874	469.802	524.676	20.511	545.187

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

NAC 2013/14			Group Restated		NAC 2014/15			Group
Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m		Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m
143.882	5.333	138.549	138.549	Education Services	144.624	4.142	140.482	140.482
71.979	58.964	13.015	13.015	Housing Services	77.144	58.455	18.689	18.689
22.816	1.890	20.926	20.881	Cultural and Related Services	23.621	1.932	21.689	21.677
24.148	3.355	20.793	20.793	Environmental Services	23.825	4.096	19.729	19.729
(0.009)	-	(0.009)	(0.009)	Fire Services	-	-	-	-
18.268	3.382	14.886	14.886	Roads and Transportation	17.416	1.754	15.662	15.662
0.064	-	0.064	0.064	Trading Services	0.120	-	0.120	0.120
(0.003)	0.031	(0.034)	(0.034)	Police Services	-	0.031	(0.031)	(0.031)
13.192	2.867	10.325	9.504	Planning and Development	15.332	2.991	12.341	12.299
106.301	17.819	88.482	88.482	Social Work	115.672	18.747	96.925	96.925
3.590	1.748	1.842	1.842	Central Services to the Public	5.904	1.907	3.997	3.997
4.442	0.026	4.416	4.416	Corporate and Democratic Core	9.099	3.795	5.304	5.304
6.843	-	6.843	6.843	Non Distributed costs	4.702	-	4.702	4.702
1.318	-	1.318	1.318	IAS19 Past Service Costs	-	0.288	(0.288)	(0.288)
-	0.002	(0.002)	(0.002)	Former Authorities	-	0.026	(0.026)	(0.026)
416.831	95.417	321.414	320.548	Cost Of General Fund Services	437.459	98.164	339.295	339.241
42.757	44.887	(2.130)	(2.130)	Housing Revenue Account	43.886	46.440	(2.554)	(2.554)
459.588	140.304	319.284	318.418	Net Cost of Services	481.345	144.604	336.741	336.687
-	-	-	0.845	Associates and joint ventures accounted for on an equity basis	-	-	-	0.334
1.192	0.080	1.112	1.112	Other Operating Expenditure and Income (note 5)	10.862	-	10.862	10.862
50.910	27.122	23.788	23.788	Financing and Investment Income and Expenditure (note 6)	52.940	27.073	25.867	25.864
-	327.785	(327.785)	(327.785)	Taxation and Non-Specific Grant Income (note 32)	-	341.979	(341.979)	(341.979)
511.690	495.291	16.399	16.378	(Surplus) or Deficit on Provision of Services	545.147	513.656	31.491	31.768
		(8.216)	(7.775)	(Surplus) / Deficit on revaluation of fixed assets (note 9)			47.944	46.875
		17.952	17.952	Actuarial (gains)/losses on pension assets/liabilities (note 9)			37.587	37.587
		-	(0.091)	Other unrealised gains/losses			-	-
		-	(349.984)	Share of other comprehensive expenditure and income of associates and joint ventures			-	0.499
		9.736	(339.898)	Other Comprehensive Income and Expenditure			85.531	84.961
		26.135	(323.520)	Total Comprehensive Income and Expenditure			117.022	116.729

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

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve may only be used to fund capital expenditure or repay loan charges).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserve includes those that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31 March 2014 Restated £m	Group 31 March 2014 Restated £m		As at 31 March 2015 £m	Group 31 March 2015 £m	Notes
992.676	998.664	Property, Plant & Equipment	927.618	934.161	21
2.193	2.193	Heritage Assets	2.204	2.204	22
0.853	0.853	Intangible Assets	1.985	1.985	20
0.518	0.518	Assets Held for Sale	1.017	1.017	25
-	14.642	Long Term Investments	-	14.664	
2.188	0.261	Long Term Debtors	1.744	0.287	29
998.428	1,017.131	Long Term Assets	934.568	954.318	
17.096	17.096	Short Term Investments	6.814	6.814	33
1.016	1.016	Inventories	0.899	0.899	26
30.620	30.904	Short Term Debtors	25.637	25.886	27
(1.662)	(1.153)	Cash and Cash Equivalents	18.488	19.000	13
47.070	47.863	Current Assets	51.838	52.599	
(4.463)	(4.463)	Short Term Borrowing	(11.750)	(11.750)	30
(53.656)	(51.770)	Short Term Creditors	(51.721)	(49.687)	28
(4.376)	(4.376)	Short Term Provisions	(3.925)	(3.925)	31
(62.495)	(60.609)	Current Liabilities	(67.396)	(65.362)	
(216.254)	(216.254)	Long Term Borrowing	(219.651)	(219.651)	33
(70.170)	(70.170)	Deferred Liabilities	(68.601)	(68.601)	33
(171.903)	(171.903)	Other Long Term Liabilities	(223.105)	(223.105)	18
-	(0.871)	Liabilities in Associates and Joint Ventures	-	(1.741)	
(458.327)	(459.198)	Long Term Liabilities	(511.357)	(513.098)	
524.676	545.187	Net Assets	407.653	428.457	
54.874	54.874	Usable Reserves	51.828	51.828	4
469.802	469.802	Unusable Reserves	355.825	355.825	9
-	20.511	Group Reserves	-	20.804	
524.676	545.187	Total Reserves	407.653	428.457	



Laura Friel

Laura Friel, BAcc, CPFA
Executive Director (Finance and Corporate Support)
28 September 2015

The unaudited accounts were issued on 17 June 2015 and the audited accounts were authorised for issue on 28 September 2015.

The **Cashflow 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 cashflows as operating, investing and financing activities.

The amount of net cashflows 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.

Cashflows arising from financing activities are useful in predicting claims on future cashflows by providers of capital (i.e. borrowing) to the Council.

NAC 2013/14 £m	Group 2013/14 Restated £m		NAC 2014/15 £m	Group 2014/15 £m
16.399	16.378	Net (surplus) / deficit on the provision of services	31.491	31.768
(62.956)	(62.936)	Adjust net (surplus) / deficit on the provision of services for non-cash movements (note 10)	(90.321)	(90.601)
29.729	29.729	Adjust for items included in the net (surplus) / deficit on the provision of services that are investing and financing activities (note 10)	35.841	35.841
(16.828)	(16.829)	Net cash flows from Operating Activities (note 10)	(22.989)	(22.992)
16.923	16.923	Investing Activities (note 11)	13.072	13.072
3.172	3.172	Financing Activities (note 12)	(10.233)	(10.233)
3.267	3.266	Net (increase) or decrease in Cash and Cash Equivalents	(20.150)	(20.153)
(1.605)	(2.113)	Cash and Cash Equivalents at the beginning of the reporting period	1.662	1.153
1.662	1.153	Cash and Cash Equivalents at the end of the reporting period (note 13)	(18.488)	(19.000)

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.

2013/14 £m		2014/15 £m
	Income	
(43.776)	Dwelling Rents	(45.886)
(0.371)	Non-dwelling Rents	(0.354)
(0.402)	Hostels Deficit Grant*	-
(0.198)	Hostels Rental Income	(0.172)
(0.121)	Other Income	(0.028)
(0.019)	Sums directed by Scottish Government Ministers that are income in accordance with IFRS	-
(44.887)	Total Income	(46.440)
	Expenditure	
16.970	Repairs and Maintenance	17.553
8.646	Supervision and Management	9.692
16.519	Depreciation and Impairment on Non-Current Assets	16.068
0.482	Bad Debts and movement in Bad Debt provision	0.485
0.140	Rent, Rates, Taxes and Other Charges	0.066
-	Sums directed by Scottish Government Ministers that are expenditure in accordance with IFRS	0.022
42.757	Total Expenditure	43.886
(2.130)	Net Cost/(Income) of Services as included in the CIES	(2.554)
0.158	Corporate & Democratic Core	0.201
(1.972)	Net Cost/(Income) for HRA Services	(2.353)
(3.004)	Taxation and Non-Specific Grant Income and Expenditure	(6.277)
0.464	(Gain)/Loss on Sale of HRA Non-Current Assets	0.111
5.163	Interest Payable and Similar Charges	5.712
(0.149)	Interest and Investment Income	(0.061)
0.339	Pension Interest Cost and Expected Return on Pension Assets	0.383
0.841	(Surplus)/Deficit for the Year on HRA Services	(2.485)

*The Hostels Grant ended in 2013/14. Hostels are now funded through the Revenue Support Grant.

Movement on the Housing Revenue Account Statement

2013/14 £m		2014/15 £m
0.841	(Surplus)/Deficit for the Year on HRA Income and Expenditure Statement	(2.485)
(2.392)	Adjustments between Accounting Basis and Funding Basis Under Statute	0.146
(1.551)	(Increase)/Decrease in Year on the HRA	(2.339)
(7.173)	Balance on the HRA at (the end of the Previous Year) 1 April	(8.724)
(8.724)	Balance on the HRA at (the end of the Current Year) 31 March	(11.063)

Housing Stock

The Council's housing stock at 31 March 2015 was 13,148 (13,057 at 31 March 2014) in the following categories:

At 31 March 2014		At 31 March 2015
2,910	One bedroom	2,921
5,783	Two bedrooms	5,869
3,941	Three bedrooms	3,936
421	Four bedrooms	420
1	Five bedrooms	1
1	Six bedrooms	1
13,057	Total	13,148

Statutory Adjustments between Accounting Basis and Funding Basis

2013/14 £m		2014/15 £m
(0.464)	Gain/(loss) on sale of HRA non-current assets	(0.111)
9.144	Capital expenditure funded by the HRA	7.740
	Transfer (to)/from the Capital Adjustment Account:	
(16.519)	Depreciation and Impairment	(16.068)
2.618	Repayment of Debt	2.701
3.004	Capital grants and contributions that have been applied to capital financing	6.277
(0.502)	HRA share of contributions to the Pensions Reserve	(0.700)
0.308	HRA share of transfer to the Financial Instruments Adjustment Account	0.329
0.019	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(0.022)
(2.392)	Total Adjustments between Accounting Basis and Funding Basis under Statute	0.146

Other Information

2013/14		2014/15
£62.02	Average weekly rent (52 weeks)	£64.19
£0.308m	Bad debts written off in respect of former tenants	£0.473m
£1.484m	Total Rent Arrears	£1.563m
£0.936m	Bad Debt provision - housing rents	£0.968m
£0.552m	Bad Debt provision - other debtors	£0.604m
£0.199m	Void Rent Loss	£0.302m

Common Good and Trust Statements

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

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

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

None of the Common Good Funds are registered charities.

Movement in Reserves Statement	Ardrossan £	Irvine £	Largs £	Millport £	Saltcoats £	Stevenston £	Total £
Balance at 1 April 2014	79,727	2,960,718	1,223,537	40,908	17,015	303,385	4,625,290
(Surplus)/Deficit For the Year	234	(1,026)	(2,479)	(365)	(37)	14,078	10,405
Surplus/(Deficit) on the Revaluation of Fixed Assets*	1,386,424	(158,640)	(466,147)	237,843	-	(40,000)	959,480
Balance at 31 March 2015	1,466,385	2,801,052	754,911	278,386	16,978	277,463	5,595,175

Income and Expenditure Account	Ardrossan £	Irvine £	Largs £	Millport £	Saltcoats £	Stevenston £	Total £
Income	(366)	(76,369)	(19,107)	(268)	(96)	(15,860)	(112,066)
Expenditure	132	77,395	21,586	633	133	1,782	101,661
(Surplus)/Deficit For the Year	(234)	1,026	2,479	365	37	(14,078)	(10,405)
Surplus Brought Forward	(79,727)	(965,348)	(422,092)	(40,908)	(17,015)	(183,385)	(1,708,475)
Accumulated Surplus as at 31 March 2015	(79,961)	(964,322)	(419,613)	(40,543)	(16,978)	(197,463)	(1,718,880)

Balance Sheet at 31 March 2015	Ardrossan £	Irvine £	Largs £	Millport £	Saltcoats £	Stevenston £	Total £
Fixed Assets	1,386,424	1,908,110	260,000	237,843	-	80,000	3,872,377
Investments	-	-	-	-	401	-	401
Cash invested in NAC on behalf of the funds	79,961	892,942	494,911	40,543	16,577	197,463	1,722,397
	1,466,385	2,801,052	754,911	278,386	16,978	277,463	5,595,175
Capital Adjustments Account	-	(1,640,853)	(335,298)	-	-	(66,300)	(2,042,451)
Revaluation Reserve	(1,386,424)	(195,877)	-	(237,843)	-	(13,700)	(1,833,844)
Common Good Balance	(79,961)	(964,322)	(419,613)	(40,543)	(16,978)	(197,463)	(1,718,880)
	(1,466,385)	(2,801,052)	(754,911)	(278,386)	(16,978)	(277,463)	(5,595,175)

*Following a review of title deeds during 2014/15, two properties were identified as belonging to the Common Good rather than the Council. These were Ardrossan Civic Centre, valued at £1,386,424 and Millport Town Hall, valued at £237,843. These are included in the Surplus / (Deficit) on the Revaluation of Fixed Assets above.

The **Trusts** administered by the Council do not represent assets available to the Council. As such, these 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. Trustees' Annual Reports have been prepared for all trusts except 'Other Bequests', which are not registered with OSCR.

Income and Expenditure Account	North Ayrshire Charitable Trust	Town Trusts	Douglas Sellers Trust	Anderson Park Trust	Margaret Archibald Trust	Other Bequests	Total
	£	£	£	£	£	£	£
Surplus at 1 April 2014	(71,797)	(209,649)	(1,770)	(786)	(174,524)	(47,648)	(506,174)
Income	(6,256)	(2,260)	(9)	(4)	(8,666)	(686)	(17,881)
Expenditure	3,490	2,095	-	-	8,881	1,052	15,518
Surplus at 31 March 2015	(2,766)	(165)	(9)	(4)	215	366	(2,363)
Accumulated Surplus as at 31 March 2015	(74,563)	(209,814)	(1,779)	(790)	(174,309)	(47,282)	(508,537)

Balance Sheet at 31 March 2015	North Ayrshire Charitable Trust	Town Trusts	Douglas Sellers Trust	Anderson Park Trust	Margaret Archibald Trust	Other Bequests	Total
	£	£	£	£	£	£	£
Fixed Assets	135,000	-	-	-	-	-	135,000
Investments	14,317	6,689	-	-	139,935	1,416	162,357
Creditors	-	-	-	-	-	-	-
Cash invested in NAC on behalf of the Funds	60,246	203,125	1,779	790	34,374	45,866	346,180
	209,563	209,814	1,779	790	174,309	47,282	643,537
Capital Adjustments Account	(26,000)	-	-	-	-	-	(26,000)
Revaluation Reserve	(109,000)	-	-	-	-	-	(109,000)
Trust Fund Balance	(74,563)	(209,814)	(1,779)	(790)	(174,309)	(47,282)	(508,537)
	(209,563)	(209,814)	(1,779)	(790)	(174,309)	(47,282)	(643,537)

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

Non-Domestic Rates Account

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

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

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

2013/14 £m		2014/15 £m
50.565	Gross rates levied and contributions in lieu	52.112
	Less:	
(11.779)	Reliefs and other deductions	(11.953)
(0.602)	Write-offs of Uncollectable debts and allowance for impairment	(0.617)
38.184	Net Non-Domestic Rate Income	39.542
(2.472)	Adjustment for years prior to the introduction of the pool	(0.325)
2.095	Net contribution (to) / from National Non-Domestic Rate pool	0.981
37.807	Net NNDR Income transferred to General Fund	40.198

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 2014/15 was 48.2p for subjects with a rateable value above £35,000 and 47.1p for subjects with a rateable value equal to or less than £35,000.

North Ayrshire Council Rateable Values at 1 April 2014	£m
Commercial	71.490
Industrial and Freight Transport	29.809
Public Undertakings	4.733
Others	0.985
Less: Part Residential and Fishing Rights rateable values not billed for	(0.118)
Total	106.899

Analysis of Rateable Values	2014/15 £m
Rateable Value at 1 April 2014	106.899
Running Roll (Full Year Rateable Value)	1.618
Rateable Value at 31 March 2015	108.517
Less: Wholly Exempt	(1.042)
Net Rateable Value at 31 March 2015	107.475

Council Tax Account

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

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

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

The local 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.

2013/14 £m		2014/15 £m
68.411	Gross Council Tax levied and contributions in lieu	68.716
0.472	Adjustment for prior years Council Tax	0.300
68.883		69.016
	Adjusted for:	
(11.875)	Council Tax Reduction	(11.511)
(8.808)	Other discounts and reductions	(8.926)
(2.111)	Provision for Non-collection	(1.706)
(22.794)		(22.143)
0.014	Community Charge recovered*	0.009
46.103	Net Council Tax Income transferred to General Fund	46.882

*Note: Community Charge income is no longer actively pursued.

North Ayrshire Council Tax per Band

Based on the Council Tax base available to North Ayrshire Council, the band D charge for 2014/15 was £1,152.

2013/14 £	Band	2014/15 £
768	A	768
896	B	896
1,024	C	1,024
1,152	D	1,152
1,408	E	1,408
1,664	F	1,664
1,920	G	1,920
2,304	H	2,304

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. The discount is 10% where the property is not the sole or main residence of any person.

	Number of Dwellings	Number of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Council Tax Reduction	Total Dwellings	Ratio to Band D	2014/15 Band D Equivalents	2013/14 Band D Equivalents
Band A*			(49)	6	1	23	19	0.56	11	13
Band A	21,836	776	(44)	3,012	515	7,329	10,248	0.67	6,832	6,812
Band B	18,252	422	59	1,825	260	4,377	11,309	0.78	8,796	8,825
Band C	6,785	169	(9)	644	200	845	4,936	0.89	4,388	4,354
Band D	6,665	145	(37)	505	187	447	5,418	1.00	5,418	5,374
Band E	8,766	96	51	494	206	310	7,609	1.22	9,300	9,266
Band F	3,698	42	21	148	77	76	3,334	1.44	4,816	4,710
Band G	1,148	8	5	43	25	13	1,054	1.67	1,757	1,760
Band H	54	2	3	2	4	0	43	2.00	86	92
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent									10	10
Sub-total							43,970		41,414	41,216
Less Bad Debt Provision at 3.5%									(1,449)	(1,443)
Council Tax Base									39,965	39,773

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

2013/14 totals have been adjusted for dwellings eligible for the Council Tax Reduction scheme.

Notes to the Accounts

The following notes apply to the results of North Ayrshire Council only. Notes that support the Group results can be found at page 64.

Note 1: Accounting Standards Issued Not Adopted

The Code requires the Council to disclose information about accounting changes that will be required by new accounting standards that are not yet due to be adopted.

For the 2014/15 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

- **IFRS13 Fair Value Measurement:** this standard relates to the measurement of assets and liabilities. The impact of this standard, which is not expected to be material, will primarily affect surplus assets, whose value is currently based on expected use. From 1 April 2015, assets will be measured at fair or market value.
- **IFRIC21 Levies:** this standard provides guidance on the timing of recognition of levies imposed by government. There is expected to be no material impact on the Council's accounts as a result of this change.
- **Amendments to IAS19 Employee Benefits:** the amendments confirm that pension investments should be denominated in the same currency as benefits paid from the pension. There is expected to be no material impact on the Council's accounts as a result of this change.
- **Changes to the Code re Heritage Assets:** the 2015/16 Code has confirmed that the measurement of heritage assets shall be by any means appropriate and has rationalised disclosures required in the accounts. There is expected to be no material impact on the Council's accounts as a result of this change.
- **Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle:** these improvements mainly provide clarification of policy and are not expected to have a material impact on the Council's accounts.

In all cases, the 2015/16 Code requires implementation from 1 April 2015 or beyond, meaning that there is no impact on the 2014/15 financial statements.

Note 2: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a one year increase in the life expectancy assumption would result in an increase in the pension liability of £27.044m. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pensions liability had increased by £51.202m as a result of estimates being corrected as a result of experience.
Equal Pay	A significant number of claims for retrospective compensation have been lodged against the Council, covering the period prior to the introduction of Single Status and the four-year pay protection period that followed. Whilst claims are still subject to Employment Tribunal hearings, there is uncertainty due to the lack of Scottish case law, and provision has been made on the basis of potential estimated liabilities.	A provision of £2.867m has been included within the 2014/15 accounts for all known claims against the Council. In addition, £1.012m from the General Fund has been earmarked for further Equal Pay claims that may arise in the future. If the estimation is understated, or additional claims are received, then further funding may be required.
Collection Levels of Arrears	At 31 March 2015, the Council had a balance of trade debtors of £5.332m. A review of significant balances suggested that an allowance for doubtful debts of 28% (£1.508m) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amounts of doubtful debts would require an additional amount of £1.508m to be set aside as an allowance.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Any reduction in the current spend on repairs and maintenance may reduce the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.057m for every year that useful lives were reduced.

Note 3: Movement in Reserves Statement – 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 2014/15	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
Reversal of items debited or credited to the CIES	£m	£m	£m	£m	£m
Charges for depreciation of non current assets	20.515	15.830	-	36.345	(36.345)
Amortisation of intangible assets	0.423	-	-	0.423	(0.423)
Impairment of non current assets	24.396	0.238	-	24.634	(24.634)
Capital grants and contributions that have been applied to capital financing	(19.183)	(6.277)	-	(25.460)	25.460
(Gains)/losses on the disposal of non current assets	10.193	0.111	-	10.304	(10.304)
Statutory provision for the financing of capital investment	(10.331)	(2.701)	-	(13.032)	13.032
Capital expenditure charged against the General Fund and HRA balances	(3.145)	(7.740)	-	(10.885)	10.885
Net Capital receipts not applied to capital finance	-	-	(6.326)	(6.326)	6.326
Use of the Repairs & Renewals Fund to finance new capital expenditure	-	-	(1.000)	(1.000)	1.000
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.452)	(0.329)	-	(0.781)	0.781
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	12.915	0.700	-	13.615	(13.615)
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	0.586	0.022	-	0.608	(0.608)
Total Adjustments	35.917	(0.146)	(7.326)	28.445	(28.445)

Comparable Movements in 2013/14

Movements in 2013/14	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
Reversal of items debited or credited to the CIES	£m	£m	£m	£m	£m
Charges for depreciation of non current assets	20.097	16.101	-	36.198	(36.198)
Amortisation of intangible assets	0.261	-	-	0.261	(0.261)
Impairment of non current assets	9.337	0.418	-	9.755	(9.755)
Capital grants and contributions that have been applied to capital financing	(12.810)	(3.004)	0.159	(15.655)	15.655
(Gains)/losses on the disposal of non current assets	1.192	0.464	-	1.656	(1.656)
Statutory provision for the financing of capital investment	(13.433)	(2.618)	-	(16.051)	16.051
Capital expenditure charged against the General Fund and HRA balances	(2.834)	(9.144)	-	(11.978)	11.978
Net Capital receipts not applied to capital finance	-	-	(0.157)	(0.157)	0.157
Use of the Repairs & Renewals Fund to finance new capital expenditure	-	-	(2.000)	(2.000)	2.000
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.472)	(0.308)	-	(0.780)	0.780
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	10.624	0.502	-	11.126	(11.126)
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	(0.170)	(0.019)	-	(0.189)	0.189
Total Adjustments	11.792	2.392	(1.998)	12.186	(12.186)

Note 4: Movement in Reserves Statement – Transfers to/from Funds

	Balance at 31 March 2014 £m	Income £m	Expenditure £m	Balance at 31 March 2015 £m	Purpose of Reserve
General Fund balance unearmarked	6.858	3.486	-	10.344	Best practice recommends that local authorities should retain uncommitted reserves of between 2% and 4% of annual budgeted expenditure. This balance at 31 March 2015 represents 3% of budgeted expenditure for 2014/15.
Education DMR	0.866	0.829	(0.866)	0.829	The Devolved Management Scheme enables schools to carry forward balances in certain budget lines to be utilised in the following year.
Affordable Housing	3.718	0.991	(1.982)	2.727	This fund is comprised of income from Council Tax 2nd homes discount. The fund is ring-fenced to be used to contribute toward the purchase or building of new social housing either by the Council itself or local housing associations.
Earmarked Funds	4.163	4.224	(3.083)	5.304	This fund relates to various specific projects for which monies or funding have been identified prior to 31 March 2015, but spending plans exist relating to 2015/16 or beyond.
Equal Pay	1.012	-	-	1.012	Full provision is made within the 2014/15 accounts for current claims. This provision relates to potential future claims.
Change & Service Redesign Fund	8.078	-	(2.451)	5.627	This sum is earmarked for the costs associated with the implementation of the Business Cases within the Council's Change Programme.
Commonwealth / Legacy Fund	0.460	-	(0.400)	0.060	This fund was earmarked for any costs associated with the Commonwealth Games held in Glasgow in June 2014 and legacy and commemorative activities.
General Fund Balance	25.155	9.530	(8.782)	25.903	
Housing Revenue Account	8.724	3.002	(0.663)	11.063	The balance on the Housing Revenue Account includes £4.266m earmarked for new house building. A further £4.510m has been set aside for other initiatives and £0.400m is to be retained as a contingency balance.
Repairs & Renewals Fund	2.614	0.013	(1.000)	1.627	A sum of £0.282m of this fund has been set aside for any works required to PPP schools.
Insurance Fund	3.299	0.017	-	3.316	A recent actuarial valuation recommended that a fund balance of £1.650m be maintained. This, however, does not reflect potential claims relating to asbestos and former authorities, which the Council requires to self-insure.
Capital Fund	15.082	1.164	(6.327)	9.919	The remaining balance of £9.919m has been earmarked to fund the 2015/16 to 2016/17 capital programme.
Earmarked Reserves	29.719	4.196	(7.990)	25.925	
Total Usable Reserves	54.874	13.726	(16.772)	51.828	

Note 5: CIES – Other Operating Expenditure and Income

2013/14 £m		2014/15 £m
(0.544)	(Gains)/losses on trading operations	0.558
1.656	(Gains)/losses on the disposal of non current assets	10.304
1.112	Total	10.862

Note 6: CIES – Financing and Investment Income and Expenditure

2013/14 £m		2014/15 £m
18.271	Interest payable and similar charges	18.739
6.529	Pensions interest cost and expected return on pensions assets	7.516
(1.012)	Interest receivable and similar income	(0.388)
23.788	Total	25.867

Note 7: CIES – Material Items

The Comprehensive Income and Expenditure Statement (CIES) includes a net cost of £24.634m to reflect assets that were impaired during the year.

Note 8: Balance Sheet – Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statements and notes 3 and 4.

Note 9: Balance Sheet – Unusable Reserves

2013/14 £m		2014/15 £m
219.864	Revaluation Reserve	160.548
439.720	Capital Adjustment Account	436.088
(12.237)	Financial Instruments Adjustment Account	(11.456)
(171.903)	Pensions Reserve	(223.105)
(5.642)	Accumulating Compensated Absences Adjustment Account	(6.250)
469.802	Total Unusable Reserves	355.825

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.

2013/14 £m		2014/15 £m
216.245	Balance at 1 April	219.864
8.216	Surplus or deficit on revaluation of non-current assets posted to the CIES	(47.944)
(4.063)	Difference between fair value depreciation and historical cost depreciation	(4.065)
(0.534)	Amount written off to the Capital Adjustment Account	(7.307)
219.864	Balance at 31 March	160.548

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.

2013/14 £m		2014/15 £m
(13.017)	Balance at 1 April	(12.237)
0.776	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.776
0.004	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
(12.237)	Balance at 31 March	(11.456)

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.

2013/14 £m		2014/15 £m
436.503	Balance at 1 April	439.720
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(46.214)	Charges for depreciation and impairment of non current assets	(61.403)
(1.656)	(Gains)/losses on the disposal of non current assets	(10.304)
4.597	Adjusting amounts written out of the Revaluation Reserve	11.372
	Capital financing applied in the year:	-
(0.003)	Adjustments involving the Capital Fund	6.326
2.000	Use of the Repairs and Renewals Fund to finance new capital expenditure	1.000
15.814	Capital grants and contributions credited to the CIES that have been applied to capital financing	25.460
16.051	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13.032
0.650	Provision for Landfill site restoration	-
11.978	Capital expenditure charged against the General Fund and HRA balances	10.885
439.720	Balance at 31 March	436.088

Pensions Reserve

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

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

2013/14 £m		2014/15 £m
(142.825)	Balance at 1 April	(171.903)
(17.952)	Actuarial gains/(losses) on pensions assets and liabilities	(37.587)
(11.126)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(13.615)
(171.903)	Balance at 31 March	(223.105)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment 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.

2013/14 £m		2014/15 £m
(5.832)	Balance at 1 April	(5.642)
0.190	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	(0.608)
(5.642)	Balance at 31 March	(6.250)

Note 10: Cashflow Statement – Operating Activities

2013/14 £m	Net cash flow from Operating Activities	2014/15 £m
(33.815)	Net cash inflow from revenue activities	(41.144)
(0.291)	Interest received	(0.128)
17.278	Interest paid	18.283
(16.828)	Total	(22.989)

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

2013/14 £m	Non-cash Movements	2014/15 £m
(33.945)	Depreciation	(34.208)
(2.514)	PPP Depreciation	(2.560)
(9.755)	Impairment of Non Current Assets	(24.634)
0.189	STACA entries	(0.608)
(4.597)	IAS19 Payroll	(6.099)
26.110	IAS19 Return on Pension Assets	26.685
(32.639)	IAS19 Pension Interest	(34.201)
0.270	Increase in Stock and Work in Progress	(0.117)
5.254	Increase in Revenue Debtors	(3.333)
(0.760)	Decrease / (Increase) in BDP	(0.286)
(4.186)	Decrease / (Increase) in Revenue Creditors	2.012
-	(Decrease) / Increase in Long Term Debtors	(0.240)
(2.264)	Decrease in Provisions	0.291
(4.119)	Carrying amount of non current assets sold	(13.023)
(62.956)	Total	(90.321)

2013/14 £m	Investing and Financing activities	2014/15 £m
11.449	Internal Capital Recharges	7.662
2.463	Proceeds from sale of non current assets	2.719
15.814	Capital Grants	25.460
0.003	Other investing or financing activities	-
29.729	Total	35.841

Note 11: Cashflow Statement – Investing Activities

2013/14 £m	Net cash flow from Investing Activities	2014/15 £m
52.523	Purchase of property, plant and equipment, investment property and intangible assets	51.453
(17.674)	Proceeds from short-term and long-term investments	(10.202)
(2.462)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2.719)
(15.464)	Other receipts from investing activities	(25.460)
16.923	Total	13.072

Note 12: Cashflow Statement – Financing Activities

2013/14 £m	Net cash flow from Financing Activities	2014/15 £m
(8.618)	Cash receipts of short-term and long-term borrowing	(10.175)
(0.048)	Other receipts from financing activities	(0.024)
1.483	Cash payments for the reduction of the outstanding liabilities relating to PPP contracts	1.383
10.340	Repayments of short and long-term borrowing	(1.383)
0.015	Other payments for financing activities	(0.034)
3.172	Total	(10.233)

Note 13: Cashflow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2013/14 £m	Cash and cash equivalents	2014/15 £m
0.061	Cash held by officers	0.061
(4.323)	Bank current accounts	(5.523)
2.600	Short-term deposits	23.950
(1.662)	Total	18.488

Note 14: Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the CIES is specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Cabinet of North Ayrshire Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. A Council restructure took effect from 5 May 2014, meaning that there is no like for like comparison between the current and previous financial year.

Service Income and Expenditure 2014/15	Place £m	Chief Executive £m	Education and Youth Employment £m	Finance and Corporate Support £m	Health and Social Care Partnership £m	Economy and Communities £m	Other Services £m	HRA £m	Total £m
Fees, charges & other service income	(119.299)	(2.902)	(9.919)	(23.792)	(21.288)	(3.930)	(1.095)	(46.440)	(228.665)
Government grants and contributions	(0.007)	(1.038)	(1.815)	(58.315)	(13.718)	(0.400)	-	-	(75.293)
Total Income	(119.306)	(3.940)	(11.734)	(82.107)	(35.006)	(4.330)	(1.095)	(46.440)	(303.958)
Employee expenses	42.042	3.879	82.377	13.513	42.960	12.384	2.579	4.446	204.180
Other service expenses	117.362	3.302	60.349	74.200	90.909	25.792	8.116	38.531	418.561
Support service recharges	4.988	1.011	3.366	3.501	2.238	1.792	0.711	0.909	18.516
Total Expenditure	164.392	8.192	146.092	91.214	136.107	39.968	11.406	43.886	641.257
Net Expenditure	45.086	4.252	134.358	9.107	101.101	35.638	10.311	(2.554)	337.299

Service Income and Expenditure 2013/14	Development and Environment £m	Chief Executive £m	Education and Skills £m	Finance and Corporate Support £m	Social Services and Health £m	Other Services £m	HRA £m	Total £m
Fees, charges & other service income	(64.723)	(2.230)	(9.980)	(39.007)	(15.197)	(1.940)	(44.486)	(177.563)
Government grants and contributions	(0.401)	(1.092)	(1.241)	(58.453)	(13.176)	(0.012)	(0.402)	(74.777)
Total Income	(65.124)	(3.322)	(11.221)	(97.460)	(28.373)	(1.952)	(44.888)	(252.340)
Employee expenses	39.970	3.423	88.658	17.033	42.792	5.542	6.277	203.695
Other service expenses	70.380	2.379	72.131	80.212	82.383	9.194	35.514	352.193
Support service recharges	3.517	0.748	3.142	3.599	2.359	0.860	0.967	15.192
Total Expenditure	113.867	6.550	163.931	100.844	127.534	15.596	42.758	571.080
Net Expenditure	48.743	3.228	152.710	3.384	99.161	13.644	(2.130)	318.740

Reconciliation of Service Income and Expenditure to cost of services in the CIES

2013/14 £m		2014/15 £m
318.740	Net expenditure in the Service Analysis	337.299
0.544	Amounts included in the Analysis not included in the CIES	(0.558)
319.284	Cost of Services in the CIES	336.741

Reconciliation to Subjective Analysis

2014/15	Service Analysis £m	Amounts not included in Service Analysis £m	Amounts not reported internally £m	Group Amounts not reported internally £m	Total £m
Fees, charges & other service income	(228.665)	-	-	(0.753)	(229.418)
Surplus or deficit on associates and joint ventures	-	-	-	0.334	0.334
Interest and investment income	-	-	(27.073)	(0.003)	(27.076)
Income from council tax	-	(46.882)	-	-	(46.882)
Income from non-domestic rates	-	(40.198)	-	-	(40.198)
Government grants and contributions	(75.293)	(254.899)	-	-	(330.192)
Total Income	(303.958)	(341.979)	(27.073)	(0.422)	(673.432)
Employee expenses	204.180	-	-	-	204.180
Other service expenses	317.491	-	-	0.699	318.190
Support service recharges	18.516	-	-	-	18.516
Depreciation, amortisation and impairment	101.326	-	-	-	101.326
Interest payments	(0.256)	-	52.940	-	52.684
Gain or loss on disposal of fixed assets	-	-	10.304	-	10.304
Total Expenditure	641.257	-	63.244	0.699	705.200
Group (Surplus)/deficit on the provision of services	337.299	(341.979)	36.171	0.277	31.768

Reconciliation for 2013/14

2013/14	Service Analysis £m	Amounts not included in Service Analysis £m	Amounts not reported internally £m	Group Amounts not reported internally (restated) £m	Total £m
Fees, charges & other service income	(177.563)	(0.350)	-	(1.004)	(178.917)
(Surplus)/deficit on associates and joint ventures	-	-	-	0.845	0.845
Interest and investment income	-	-	(27.122)	-	(27.122)
Income from Council Tax	-	(46.103)	-	-	(46.103)
Income from Non-Domestic Rates	-	(37.807)	-	-	(37.807)
Government grants and contributions	(74.777)	(243.525)	-	-	(318.302)
Total Income	(252.340)	(327.785)	(27.122)	(0.159)	(607.406)
Employee expenses	203.695	-	-	-	203.695
Other service expenses	324.410	-	-	0.138	324.548
Support service recharges	15.192	-	-	-	15.192
Depreciation, amortisation and impairment	27.781	-	-	-	27.781
Interest payments	0.002	-	50.910	-	50.912
Gain or loss on disposal of fixed assets	-	-	1.656	-	1.656
Total Expenditure	571.080	-	52.566	0.138	623.784
Group (Surplus)/deficit on the provision of services	318.740	(327.785)	25.444	(0.021)	16.378

Note 15: Agency Services

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

2013/14 £m		2014/15 £m
(0.378)	Agency income from Scottish Water	(0.515)
0.280	Cost of Collection associated with this income	0.310

Note 16: External Audit Costs

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

2013/14 £m		2014/15 £m
0.305	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	0.304
0.004	Fees payable to Audit Scotland with regard to external audit services carried out for s106 charities	0.004
0.309	Total	0.308

Note 17: 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 2014/15, the Council paid £7.347m in respect of teachers' retirement benefits, representing 14.59% of pensionable pay. The figures for 2013/14 were £7.432m and 14.45% respectively. There were no contributions remaining payable at the year-end. The

estimated contribution for 2015/16 is £7.771m. As a proportion of the total contributions into the Scheme during the year to 31 March 2015, North Ayrshire Council's contribution equates to approximately 2.12%.

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 18.

Note 18: Defined Benefit Pension Schemes

Participation in pension schemes

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

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

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:

2013/14 £m	Local Government Pension Scheme Comprehensive Income & Expenditure Statement	2014/15 £m
	Cost of Services:	
20.635	Current service cost	23.497
3.023	Past service cost (including curtailments)	1.385
	Financing and Investment Income and Expenditure:	
6.529	Net interest expense	7.516
30.187	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	32.398
	Other Post Employment Benefit Charged to the CIES:	
(12.967)	Expected return on pension fund assets (excluding amounts included in net interest)	(40.939)
30.919	Actuarial (gains) / losses arising on changes in financial assumptions	78.526
48.139	Total Post Employment Benefit Charged to the CIES	69.985
	Movement in Reserves Statement :	
(29.078)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(51.202)
	Actual amount charged against the General Fund Balance for pensions in the year:	
19.061	Contributions from employer payable to scheme	18.783

Pension Assets and Liabilities Recognised in the Balance Sheet

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

2013/14 £m		2014/15 £m
(792.641)	Present value of the defined benefit obligation	(912.031)
620.738	Fair value of plan assets	688.926
(171.903)	Net liability arising from defined benefit obligation	(223.105)

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:

2013/14 £m		2014/15 £m
(721.618)	Balance as at 1 April	(792.641)
(20.635)	Current service cost	(23.497)
(32.639)	Interest cost	(34.201)
(4.906)	Contributions by scheme participants	(5.032)
	Re measurement (gains) and losses:	
(30.847)	Actuarial (gains) / losses arising on changes in financial assumptions	(90.371)
-	Changes in demographic assumptions	(22.784)
(0.072)	Other experience	34.629
(3.023)	Past service cost (including curtailments)	(1.385)
21.099	Benefits paid	23.251
(792.641)	Balance as at 31 March	(912.031)

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:

2013/14 £m		2014/15 £m
578.793	Balance as at 1 April	620.738
26.110	Interest income	26.685
	Re-measurement gains and (losses):	
12.967	Return on plan assets excluding amounts included in net interest	40.939
19.061	Contributions from employer payable to the scheme	18.783
4.906	Contributions by scheme participants	5.032
(21.099)	Benefits paid	(23.251)
620.738	Balance as at 31 March	688.926

Analysis of Pension Fund's Assets

North Ayrshire Council's share of the Pension Fund assets as at 31 March 2015 comprised:

At 31 March 2014	Portfolio Composition	At 31 March 2015
76.0%	Equity investments	76.0%
12.0%	Debt Instruments	13.0%
7.0%	Property	9.0%
5.0%	Cash	2.0%

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 2014.

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 Cashflow

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. The rate of employer's contributions for 2014/15 was 19.3% and it has been set at the same level for 2015/16.

The total amount of contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2016 is £15.927m.

The assumed weighted average duration of the defined benefit obligation is 18.5 years.

The significant assumptions used by the actuary were:

At 31 March 2014	Local Government Pension Scheme Assumptions	At 31 March 2015
	Long term expected rate of return on assets in the scheme:	
4.3%	Equity investments	3.2%
4.3%	Bonds	3.2%
4.3%	Other	3.2%
4.3%	Cash	3.2%
	Mortality assumptions (years):	
	Longevity at 65 for current pensioners:	
21.0	Men	22.1
23.4	Women	23.6
	Longevity at 65 for future pensioners:	
23.3	Men	24.8
25.3	Women	26.2
2.8%	Rate of inflation	2.4%
5.1%	Rate of increase in salaries	4.3%
2.8%	Rate of increase in pensions	2.4%
4.3%	Rate for discounting scheme liabilities	3.2%
	Take up of option to convert annual pension into retirement lump sum	
50%	- for pre April 2009 service	50%
75%	- for post April 2009 service	75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The 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 Assumption	
	£m	%
1 year increase / decrease in member life expectancy	27.044	3.0%
Rate of increase in salaries of 0.5%	46.447	5.0%
Rate of increase in pensions of 0.5%	66.621	7.0%
Decrease in rate for discounting scheme liabilities by 0.5%	105.073	12.0%

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

Note 19: Related Parties

The Council is required to disclose material transactions with related parties, i.e. 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 billing, housing benefits). Grants received from government departments are set out in Note 32.

Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2014/15 are shown in the Remuneration Report. During 2014/15, works and services to the value of £0.048m were commissioned from companies in which one member

had an interest. In addition, payments to voluntary organisations to the value of £0.001m were made in which one member 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 holds a position of director in Irvine Bay Regeneration Company and Irvine Bay Development Company. Both the Chief Executive and the Executive Director (Finance and Corporate Support) were directors of North Ayrshire Ventures Trust Limited during 2014/15. There is no remuneration associated with these positions. Details of the Council's interests in these organisations are outlined in the Group Accounts note at page 64.

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 of £8.948m from NHS Ayrshire and Arran.

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 note at page 64.

Note 20: Intangible Assets

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

2013/14 £m		2014/15 £m
	Balance at start of year:	
1.778	Gross carrying amounts	2.375
(1.261)	Accumulated amortisation	(1.522)
0.517	Net carrying amount at start of year	0.853
0.597	Additions	1.555
(0.261)	Amortisation for the period	(0.423)
0.853	Net carrying amount at end of year	1.985
	Comprising:	
2.375	Gross carrying amounts	3.930
(1.522)	Accumulated amortisation	(1.945)
0.853		1.985

Note 21: Property, Plant and Equipment

Movements in 2014/15:

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equipment £m	Infra-Structure Assets £m	Community Assets £m	Surplus Assets £m	Assets under Construction £m	Total £m	PPP Assets Included in Property Plant & Equipment £m
Cost or Valuation									
Balance at 1 April 2014	532.591	472.077	32.722	84.947	1.543	9.627	33.157	1,166.664	83.590
Reclassification of Assets	13.173	28.942	-	(0.007)	-	1.845	(43.953)	-	-
Additions	15.265	-	2.813	5.366	0.161	-	33.795	57.400	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(109.628)	(21.047)	-	-	-	(0.311)	-	(130.986)	-
Impairments recognised in the Net Cost of Services	-	(25.472)	-	(0.012)	-	(1.060)	(0.094)	(26.638)	-
Derecognition - Disposals	(1.788)	(12.236)	(0.717)	-	-	(0.256)	-	(14.997)	-
Assets reclassified (to)/from Held for Sale	-	(0.115)	-	-	-	(0.777)	-	(0.892)	-
Balance at 31 March 2015	449.613	442.149	34.818	90.294	1.704	9.068	22.905	1,050.551	83.590
Accumulated Depreciation and Impairment									
Balance at 1 April 2014	72.918	45.279	26.699	28.795	0.203	0.094	-	173.988	15.744
Reclassification of Assets	-	(0.076)	-	-	-	0.076	-	-	-
Depreciation charge	15.662	14.648	2.146	3.722	0.071	0.096	-	36.345	2.560
Depreciation written out to the Revaluation Reserve	(72.620)	(10.396)	-	-	-	(0.015)	-	(83.031)	-
Depreciation written out to the Net Cost of Services	-	(1.961)	-	(0.012)	-	(0.035)	-	(2.008)	-
Derecognition - Disposals	(0.298)	(1.310)	(0.717)	-	-	(0.031)	-	(2.356)	-
Assets reclassified (to)/from Held for Sale	-	(0.005)	-	-	-	-	-	(0.005)	-
Balance at 31 March 2015	15.662	46.179	28.128	32.505	0.274	0.185	-	122.933	18.304
Net Book Value									
Balance at 31 March 2015	433.951	395.970	6.690	57.789	1.430	8.883	22.905	927.618	65.286
Balance at 31 March 2014*	459.673	426.798	6.023	56.152	1.340	9.533	33.157	992.676	67.846

Comparative Movements in 2013/14:

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equipment £m	Infra-Structure Assets £m	Community Assets £m	Surplus Assets £m	Assets under Construction £m	Total £m	PPP Assets Included in Property Plant & Equipment £m
Cost or Valuation									
Balance at 1 April 2013	515.644	483.515	31.384	77.540	1.152	11.572	18.746	1,139.553	83.590
Reclassification of Assets	5.711	11.073	-	0.866	-	-	(17.650)	-	-
Additions	18.424	1.372	3.209	6.626	0.391	-	32.341	62.363	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4.719)	(12.545)	-	-	-	-	(0.122)	(17.386)	-
Impairments recognised in the Net Cost of Services	-	(9.148)	-	-	-	(1.803)	(0.158)	(11.109)	-
Derecognition - Disposals	(2.469)	(1.879)	(1.871)	-	-	(0.120)	-	(6.339)	-
Assets reclassified (to)/from Held for Sale	-	(0.311)	-	-	-	(0.022)	-	(0.333)	-
Assets reclassified (to)/from Heritage Assets	-	-	-	(0.085)	-	-	-	(0.085)	-
Balance at 31 March 2014*	532.591	472.077	32.722	84.947	1.543	9.627	33.157	1,166.664	83.590
Accumulated Depreciation and Impairment									
Balance at 1 April 2013	57.327	58.513	25.961	25.231	0.140	0.074	-	167.246	13.230
Depreciation charge	15.920	14.033	2.596	3.564	0.063	0.022	-	36.198	2.514
Depreciation written out to the Revaluation Reserve	-	(25.531)	-	-	-	-	-	(25.531)	-
Depreciation written out to the Net Cost of Services	-	(1.354)	-	-	-	-	-	(1.354)	-
Derecognition - Disposals	(0.329)	(0.382)	(1.858)	-	-	(0.002)	-	(2.571)	-
Balance at 31 March 2014*	72.918	45.279	26.699	28.795	0.203	0.094	-	173.988	15.744
Net Book Value									
Balance at 31 March 2014*	459.673	426.798	6.023	56.152	1.340	9.533	33.157	992.676	67.846
Balance at 31 March 2013	460.818	425.002	5.423	52.309	1.012	11.498	16.245	972.307	70.360

*The balance at 31 March 2014 has been reduced by £0.127m in relation to an asset previously classified as an Infrastructure Asset and now classified as a Heritage Asset. Further details can be found at Note 22: Heritage Assets.

Note 22: Heritage Assets

FRS30 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'.

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

Cost or Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2014	1.580	0.126	0.310	0.177	2.193
Movement in Year	0.011	-	-	-	0.011
Balance at 31 March 2015	1.591	0.126	0.310	0.177	2.204

Cost or Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2013 (restated)	1.520	0.126	0.310	0.092	2.048
Movement in Year	0.060	-	-	0.085	0.145
Balance at 31 March 2014	1.580	0.126	0.310	0.177	2.193

The opening balance at 1 April 2013 has been restated to reflect the addition of public art known as the 'Trinity Mirror and Shards' at Bridgegate in Irvine. This should have been disclosed in the 2012/13 and 2013/14 accounts.

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

Such assets can be grouped as follows:

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

Note 23: Capital Expenditure and Capital Financing

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

	2014/15		2013/14	
	General Fund £m	HRA £m	General Fund £m	HRA £m
Opening Capital Financing Requirement	155.235	108.088	151.194	96.352
Capital investment				
Property, Plant and Equipment	30.403	-	33.800	-
Intangible Assets	1.555	-	0.597	-
Council Dwellings	-	26.997	-	28.201
	31.958	26.997	34.397	28.201
Sources of finance				
Sale of Council Houses	-	1.519	-	1.241
Sale of other Assets	1.135	0.065	0.605	0.458
Grants and other contributions	19.183	6.276	12.810	3.004
Contribution from Reserves	7.327	-	2.157	-
Direct revenue contributions	3.145	7.740	2.834	9.144
Loans Fund Principal	8.948	2.701	11.950	2.618
	39.738	18.301	30.356	16.465
Closing Capital Financing Requirement	147.455	116.784	155.235	108.088

Depreciation

As highlighted in Note 40: Accounting Policies, under Property, Plant and Equipment on page 71 to 72, 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 table below:

Category	Useful Life (Years)	Valuer	Basis of Valuation	Date of last full valuation
Council Dwellings	30	Asset Manager	Net Realisable Value 'Beacon Principle' (EUVSH)	31/03/2015
Other Land and Buildings	1-100	Asset Manager	Open Market Value Existing Use (OMV/EU/EUV) OR Depreciated Replacement Cost / Existing use (Specialised Operational Properties)	Valued on a 5-year rolling programme
Vehicles	2-7	N/A	Net Realisable Value (NRV)	N/A
Infrastructure Assets	Up to 52	N/A	Historical Cost	N/A
Plant and Equipment	1-18	N/A	Historical Cost	N/A
Community Assets	30	N/A	Historical Cost	N/A
School PPP Assets	30	N/A	Depreciated Replacement Cost/Existing use (MV-DRC/EUV)	N/A

Commitments under capital contracts

At 31 March 2015, the Council has approved capital investment programmes for both General Services and Housing, for construction or enhancement of Property, Plant and Equipment. Contractual commitments in place at 31 March 2015 are as follows:

Capital Commitments as at	At 31 March 2015
HRA Programme	£m
Montgomery Court, Kilbirnie	4.238
Re-Roofing & Re-Rendering	3.015
Central Heating	2.978
Kiln Court, Irvine	2.226
Kitchen Programme	1.888
Bathroom Replacement	1.389
Dickson Drive, Irvine	1.188
Electrical Rewiring	0.922
Window Replacement	0.577
Total Contractual Commitment	18.421

Capital Commitments as at	At 31 March 2015
General Services Programme	£m
Irvine Leisure Centre	18.098
Saltcoats Town Hall	2.118
Biomass Programme	1.514
Primary School Programme	0.538
Solar PV Programme	0.381
Cunninghame House	0.299
Cemeteries	0.208
Bridgegate House	0.183
Currie Court	0.091
Largs Day Centre	0.085
Montrose House	0.069
Ardrossan Castle	0.057
Stevenston Library	0.047
Dirrans Resource Centre	0.024
Total Contractual Commitment	23.712

Note 24: Private Finance Initiatives and Similar Contracts

North Ayrshire Council Schools PPP Contract

2014/15 was the eighth year of a 30-year PPP contract for the construction, maintenance and operation of four schools: Stanley Primary, Arran High, Greenwood Academy and St Matthew's Academy. The schools provide leisure facilities to the community outwith the school day. This is run by North Ayrshire Leisure Limited. The contract specifies minimum standards for the services to be provided by the contractor, with

deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings, and any plant and equipment installed in them at the end of the contract, will be transferred to North Ayrshire Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 21.

Payments

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), and reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Remaining payments to be made under the PPP contract at 31 March 2015 (based on an estimate of the cash amount that will actually be paid and excluding availability / performance deductions) are as follows:

	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Contingent Rent £m	Total £m
Payable in 2015/16	4.450	2.998	4.574	0.603	12.625
Payable within two to five years	19.345	5.074	17.293	3.220	44.932
Payable within six to ten years	28.290	9.971	19.016	5.784	63.061
Payable within eleven to fifteen years	31.384	14.020	15.326	8.555	69.285
Payable within sixteen to twenty years	33.467	20.482	9.965	12.414	76.328
Payable within twenty one to twenty five years	15.870	19.054	2.297	12.337	49.558
Total	132.806	71.599	68.471	42.913	315.789

Although the payments made to the contractor 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 contractor for capital expenditure incurred is as follows:

2013/14 £m		2014/15 £m
74.465	Balance outstanding at 1 April	72.982
(1.483)	Payments during the year	(1.383)
72.982	Balance outstanding at 31 March	71.599

Note 25: Assets Held for Sale

2013/14 £m		2014/15 £m
0.535	Balance at 1 April 2014	0.518
	Assets newly classified as held for sale:	
0.333	Property, Plant and Equipment	0.886
-	Revaluations	(0.004)
(0.350)	Assets disposed of during year	(0.383)
0.518	Balance at 31 March 2015	1.017

Note 26: Inventories

2013/14 Balance at 31 March £m		2014/15			
		Balance at 1 April £m	Purchases £m	Recognised as an expense £m	Balance at 31 March £m
Consumables					
0.066	Catering	0.066	2.125	(2.122)	0.069
0.129	Streetscene & Waste	0.129	0.373	(0.408)	0.094
0.083	Transport Fuel	0.083	1.955	(1.963)	0.075
0.008	Other	0.008	0.003	(0.004)	0.007
Maintenance Materials					
0.462	Building Services	0.462	4.144	(4.103)	0.503
0.268	Roads	0.268	0.618	(0.735)	0.151
1.016	Total	1.016	9.218	(9.335)	0.899

Note 27: Debtors

2013/14 £m		2014/15 £m
14.489	Central government bodies	13.706
0.488	Other local authorities	0.433
3.629	NHS bodies	0.976
3.578	Public corporations and trading funds	1.423
8.436	Other entities and individuals	9.099
30.620	Total	25.637

Note 28: Creditors

2013/14 £m		2014/15 £m
(11.148)	Central government bodies	(8.306)
(4.879)	Other local authorities	(1.083)
(0.576)	NHS bodies	(0.332)
(1.666)	Public corporations and trading funds	(0.849)
(35.387)	Other entities and individuals	(41.151)
(53.656)	Total	(51.721)

Note 29: Long Term Debtors

2013/14 £m		2014/15 £m
1.848	North Ayrshire Ventures Trust Ltd	1.420
0.147	Advances for House Purchases	0.147
0.138	Car Loans	0.122
0.055	Leisure Loans	0.055
2.188		1.744

Note 30: Short Term Borrowing

2013/14 £m		2014/15 £m
(2.830)	North Ayrshire Municipal Bank Ltd	(2.707)
(0.460)	PWLB	(0.473)
(1.173)	Market Debt / LOBOs	(8.570)
(4.463)		(11.750)

Note 31: Provisions

	Equal Pay / Single Status £m	Termination Benefits £m	Landfill Site Restoration £m	Holiday Pay £m	Former Authorities £m	Total £m
Balance at 1 April 2014	(2.904)	(0.397)	(1.009)	-	(0.066)	(4.376)
Additional provisions made in 2014/15	(0.045)	(0.063)	(0.215)	(0.100)	(0.046)	(0.469)
Amounts written off in 2014/15	-	0.016	0.150	-	-	0.166
Amounts used in 2014/15	0.082	0.381	0.225	-	0.066	0.754
Balance at 31 March 2015	(2.867)	(0.063)	(0.849)	(0.100)	(0.046)	(3.925)

Equal Pay/Single Status

In 2013/14 a provision of £2.904m was made in respect of Equal Pay and Single Status. During 2014/15 £0.082m of this provision was released and a further sum of £0.045m was provided for, to meet future claims.

Termination Benefits

In 2013/14 a provision of £0.397m was made based on anticipated retirals. Of this, £0.016m was written off as time barred in 2014/15 and a further provision of £0.063m was made for termination benefits relating to commitments the Council had in place at 31 March 2015.

Landfill Site Restoration

In 2013/14 a provision of £1.009m was made to meet the anticipated costs of capping cell 4 at the Council's landfill site and to provide for the present value of estimated annual aftercare costs associated with the site between 1 April 2014 and 31 March 2024. During 2014/15 part of the provision was released to fund initial costs of capping of cell 4. In addition to this a further provision was made in relation to the costs of capping cell 5A, which became operational during 2015/16.

Holiday Pay

The Council has a number of outstanding claims in relation to Holiday Pay on overtime. There is uncertainty around the timing of these claims and also whether they would be upheld in court. In 2014/15 a provision of £0.100m was made, following COSLA guidance on the matter. Future claims are unlikely, due to changes in payment terms that took effect from 1 January 2014.

Former Authorities: Potential Claims

Following a Supreme Court ruling on Employers' Liability Trigger Litigation in March 2012, the Council has made a provision of £0.046m in 2014/15 to meet a 15% clawback of estimated payments made by Municipal Mutual Insurance Limited (MMI) in respect of known claims against Strathclyde Regional Council and Cunninghame District Council, a share of which the Council is liable for.

Note 32: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14 £m	Credited to Taxation and Non Specific Grant Income	2014/15 £m
228.061	Revenue Support Grant	229.439
46.103	Council Tax	46.882
37.807	Non Domestic Rates	40.198
15.814	Capital Grants and Contributions	25.460
327.785	Total	341.979
	Credited to Services	
56.000	Housing Benefit Funding	56.145
8.743	Health Resource Transfer	8.948
3.664	Criminal Justice Grant	3.776
1.318	Benefit Admin Subsidy	0.958
1.092	European Funding	1.009
0.762	EMA & Activity Agreements	0.833
0.723	General Capital Grant	0.640
-	Sports Facilities Grant	0.432
0.402	Hostels Grant	-
0.335	Equalities Unit Funding	0.430
0.375	Self Directed Support*	0.440
0.230	Other Grants	0.325
0.315	Zero Waste Scotland Grant	0.338
0.282	Youth Employment Support*	0.282
0.212	Creative Scotland Grant	0.212
0.085	Energy Grants	0.014
0.074	Gaelic Grant	0.095
0.077	Milk Subsidies	-
0.036	Early Effective Intervention - GIRFEC*	0.071
0.052	Opportunities for all	0.050
74.777	Total	74.998

* These grants were classified as 'Other Grants' in the 2013/14 accounts.

Note 33: Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current		Total	
	At 31 March 2015 £m	At 31 March 2014 £m	At 31 March 2015 £m	At 31 March 2014 £m	At 31 March 2015 £m	At 31 March 2014 £m
Loans and receivables	-	-	6.814	17.096	6.814	17.096
Liquid Deposits	-	-	23.950	2.600	23.950	2.600
Long term debtors	1.744	2.188	-	-	1.744	2.188
Total Financial Assets	1.744	2.188	30.764	19.696	32.508	21.884
Financial liabilities at amortised cost	219.651	216.254	11.750	4.463	231.401	220.717
Bank overdraft	-	-	5.523	4.323	5.523	4.323
PPP and finance lease liabilities	68.601	70.170	2.998	2.812	71.599	72.982
Total Financial Liabilities	288.252	286.424	20.271	11.598	308.523	298.022

Reclassifications

The Council did not reclassify any financial assets or liabilities between categories during the year.

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 cashflows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, borrowing rates from the PWLB have been applied to provide the

fair value under PWLB debt redemption procedures;

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The calculated fair values are as follows:

At 31 March 2014			At 31 March 2015	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
298.022	351.985	Financial Liabilities	308.523	420.169
298.022	351.985	Total Liabilities	308.523	420.169

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

At 31 March 2014			At 31 March 2015	
Carrying Amount £m	Fair Value £m		Carrying Amount £m	Fair Value £m
21.884	17.706	Loans and Receivables	32.508	29.458
21.884	17.706	Total Assets	32.508	29.458

The differences between carrying values and fair values are attributable to fixed interest instruments receivable being held by the Council, whose interest rate is higher than the prevailing rate estimated to be available at the balance sheet date. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is regarded as a fair approximation of their value.

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:

2013/14				2014/15		
Financial Liabilities Measured at amortised cost £m	Financial Assets, Loans and receivables £m	Total £m		Financial Liabilities Measured at amortised cost £m	Financial Assets, Loans and receivables £m	Total £m
(17.340)	-	(17.340)	Interest expense	(17.178)	-	(17.178)
(0.776)	-	(0.776)	Losses on de-recognition	(0.776)	-	(0.776)
-	0.003	0.003	Exchange rate gain/(loss) on Icelandic Escrow	-	(0.146)	(0.146)
-	(0.158)	(0.158)	Impairment losses	-	(0.639)	(0.639)
(18.116)	(0.155)	(18.271)	Total expense in Surplus or Deficit on the Provision of Services	(17.954)	(0.785)	(18.739)
-	0.825	0.825	Interest income	-	0.309	0.309
-	0.187	0.187	Interest income accrued on impaired financial assets	-	0.079	0.079
-	1.012	1.012	Total income in Surplus or Deficit on the Provision of Services	-	0.388	0.388
(18.116)	0.857	(17.259)	Net gain/(loss) for the year	(17.954)	(0.397)	(18.351)

Note 34: Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial 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 funds 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 such measures as interest rates movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government in Scotland Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment regulations issued through the Act.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

North Ayrshire Council uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard & Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2014/15 was approved by North Ayrshire Council on 2 April 2014 and is available on the Council's website.

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

at the balance sheet date that this was likely to crystallise.

Suppliers of goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by North Ayrshire Council.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions:

	Amount at 31 March 2015 £m	Historical experience of default* %	Historical experience of nonpayment adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectibility at 31 March 2015 £m	Estimated maximum exposure at 31 March 2014 £m
Deposits with banks and local authorities	29.450	-	-	-	-
Customers	2.804	40.54%	40.54%	1.137	1.020
Total				1.137	1.020

*Relates to the institutions in which cash is invested at the balance sheet date.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers, such that the £2.804m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	At 31 March 2015 £m	At 31 March 2014 £m
Less than one month	1.126	1.963
Two to four months	0.366	0.144
Five to six months	0.080	0.075
Seven to twelve months	0.321	0.211
More than one year	0.911	0.829
	2.804	3.222

Icelandic Bank Default

In October 2008, the Icelandic bank, Glitnir Banki hf, collapsed. North Ayrshire Council had £10m on deposit with the bank. Following the grant of priority status to UK local authorities by the Icelandic Supreme Court in October 2011, the Glitnir winding up board made payouts to North Ayrshire Council in March 2012 amounting to 100% of the principal and interest paid to the maturity date of 21 January 2009.

At the time of distribution, it was not clear under Icelandic law what exchange rate should have been applied when calculating the basket of currencies. Consequently the winding up board reserved its rights in this regard. Following clarification by the Icelandic Supreme Court, in April 2014 the winding up board made a claim for repayment of part of the funds paid in March 2012. The claim was settled in March 2015 with the Council making a repayment of £0.116m.

A proportion of the claim amounting to approximately 20.14% is being held in an Escrow account in Icelandic kroner at present and is accounted for as a short-term investment by North Ayrshire Council. Recovery of this amount is subject to the impact of exchange rate fluctuations. Current indications are that the release of Escrow funds can only be achieved through a currency auction.

Accounting for Impairment

The total impairment (principal plus interest not received) recognised in the CIES in 2014/15 of £0.785m has been calculated by discounting the assumed cashflows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. In line with reasoning above, a further 35% of the carrying value has been written off to the CIES due to potential exit implications.

The cumulative effect of impairments to date on this investment amounts to £2.893m.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cashflow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

Refinancing risk

The Council maintains a significant debt and investment portfolio. Whilst the cashflow 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 central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through 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 cashflow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cashflow needs.

The maturity analysis of financial liabilities 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 Strategy on 2 April 2014):

At 31 March 2014 £m	Loans Outstanding	At 31 March 2015 £m	At 31 March 2015 %	Approved Upper Limit %	Approved Lower Limit %
11.597	Less than one year	20.271	7%	40%	0%
8.429	Between one and two years	12.500	4%	40%	0%
15.986	Between two and five years	-	0%	50%	0%
36.260	Between five and ten years	27.267	9%	75%	0%
225.750	More than ten years	248.485	81%	100%	25%
298.022	Total	308.523			
155.714	Public Works Loan Board	165.727			
61.602	Market Debt / LOBOs	61.998			
7.724	Temporary borrowing	9.200			
72.982	Deferred purchase	71.598			
298.022	Total	308.523			

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 its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, for instance, a rise in interest rates would have the following effects (a fall in interest rates would have the reverse effect):

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not

impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure line in the CIES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and

treasury indicators and its expected treasury operations, including an expectation of interest rate movements.

From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Council's treasury advisors monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

	At 31 March 2015 £m
Impact on tax-payers & rent-payers	
Increase on interest payable on variable rate borrowings	0.361
Increase in interest receivable on variable rate investments	-
Impact on Surplus or Deficit on the Provision of Services	0.361
Share of overall impact debited to the HRA	0.152
Decrease in fair value of fixed rate investment assets	(0.018)
Impact on Other Comprehensive Income and Expenditure	(0.018)
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)	(51.990)

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 generally invest in equity shares or marketable bonds.

Foreign exchange risk: North Ayrshire Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir hf as detailed above. This is being held in Icelandic kroner in an escrow account due to the current imposition of currency controls.

Note 35: Contingent Assets

In 2012/13, the Scottish Government introduced the Business Rates Incentivisation Scheme (B.R.I.S) which set a target level of Non-Domestic Rate income for each local authority in Scotland. If the level of Non-Domestic Rate income collected by a local authority exceeded its target then it would be allowed to retain 50% of the excess.

The scheme was suspended in 2013/14 and new targets have been set for 2014/15. In the absence of a 2013/14 baseline, there is uncertainty around the 2014/15 settlement, therefore a debtor has not been included within the 2014/15 accounts.

Note 36: Contingent Liabilities

At 31 March 2015, the Council had three material contingent liabilities:

On 28 July 2007 the Council implemented a revised pay and grading structure for all employees excluding teachers as part of the Single Status Agreement. Revisions to conditions of service were implemented from 2 April 2008. These Accounts include provisions for appeals arising from the Single Status Agreement (see note 31). In addition, however further claims under "equal value" remain outstanding where a court ruling will decide any liability. This exposes the Council to the risk of further related claims.

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 £0.416m 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 now emerge resulting in a future liability.

The Council recognises a further contingent liability in respect of potential costs which it may incur in relation to non-contractual payroll enhancements. A provision has been made in the 2014/15 for known claims, however there is a possibility that further claims may arise, resulting in a future liability.

Note 37: Events after the Balance Sheet Date

The audited accounts were authorised for issue on 28 September 2015. Where events taking place before this date provided information about conditions existing at 31 March 2015, 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.

Note 38: Notes to the Group Accounts

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (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 40, with the additions and exceptions shown below.

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

Retirement Benefits

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

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

Valuation of Property, Plant and Equipment

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

Depreciation

The periods and categories of assets for the Group are:

Buildings	1-100 years
Infrastructure	Up to 52 years
Plant and Equipment	1-18 years
Vehicles	2-7 years

Inventories

Valuation methods vary slightly across the group. The Council and North Ayrshire Leisure Limited use the lower of cost or net realisable value. None of the other bodies in the group hold inventories.

Goodwill

The Council has not paid any consideration for its interests and thus no goodwill is involved in the acquisition.

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.

Note that the 2013/14 group entity accounts have been restated, due to the receipt of final audited accounts after the publication of North Ayrshire Council's final audited accounts.

North Ayrshire Leisure Limited (NALL) is a charity and its accounts have not been prepared on an IFRS basis for 2014/15. If NALL had implemented IFRS the effect would have been an increase in expenditure due to a year-end accrual for short-term employee benefits. This would have resulted in a reduction in the in-year surplus but it is not anticipated that the change would be material.

Further details for each entity are as follows:

	% Share	2014/15				2013/14			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/ Loss £m	Share of Assets (restated) £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/ Loss £m
Subsidiaries									
Common Good Funds	100%	3.873	1.722	(0.112)	(0.010)	2.915	1.710	(0.144)	(0.044)
Trust Funds	100%	0.298	0.346	(0.017)	(0.002)	0.200	0.332	(0.020)	(0.001)
North Ayrshire Ventures Trust Ltd	100%	1.839	(0.034)	(0.627)	(0.045)	1.916	(0.156)	(0.840)	(0.821)
North Ayrshire Ventures Ltd		-	-	-	-	0.093	(0.093)	(0.194)	0.300
Associates									
North Ayrshire Leisure Ltd	46.24%	0.813	(2.192)	(3.287)	(0.017)	0.685	(1.557)	(3.424)	0.026
Strathclyde Partnership for Transport	6.27%	16.441	(6.663)	(6.230)	(0.254)	14.922	(5.026)	(6.086)	(0.015)
Strathclyde Concessionary Travel Scheme Joint Board	6.64%	0.147	(0.038)	(0.285)	(0.001)	0.169	(0.062)	(0.285)	(0.014)
Ayrshire Valuation Joint Board	36.33%	0.376	(0.739)	(0.893)	(0.003)	0.310	(0.277)	(0.817)	0.040
Joint Ventures									
Irvine Bay Regeneration Company	50.00%	0.506	(0.194)	(0.532)	(0.034)	0.161	(0.126)	(1.014)	0.360
Irvine Bay Development Company	50.00%	5.227	(0.924)	(3.351)	0.644	5.321	(0.928)	(2.921)	0.149

The information above agree to the group accounts after the elimination of inter- company transactions.

Combining Entities

The following table provides further details about the entities incorporated into the Council's Group Accounts:

Subsidiary	Nature of Body	Accounts available from
Common Good Fund	To award community grants across North Ayrshire.	North Ayrshire Council, Cunninghame House, Irvine, KA12 8EE
Trust Funds	To provide school prizes at designated schools, maintain specified lairs within cemeteries and for recreation, the benefit of the poor and those with ill health.	North Ayrshire Council, Cunninghame House, Irvine, KA12 8EE
North Ayrshire Ventures Trust Ltd	To award community grants across North Ayrshire.	North Ayrshire Council, Cunninghame House, Irvine, KA12 8EE
North Ayrshire Ventures Ltd	This entity was purchased outright by North Ayrshire Ventures Trust in December 2013.	

Associate	Nature of Body	Accounts available from
North Ayrshire Leisure Ltd	Provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in North Ayrshire. North Ayrshire Council have an agreement in place whereby they will pay for any redundancy or early retirement costs incurred by NALL. 48.5% of NALL's income is received from the customers who use the leisure facilities.	Treasurer, Magnum Leisure Centre, Harbourside, Irvine, KA12 8PP
Strathclyde Partnership for Transport	Regional transport partnership for the West of Scotland.	Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN
Strathclyde Concessionary Travel Scheme Joint Board	Oversees the operation of the concessionary travel scheme for public transport in the West of Scotland.	Strathclyde Concessionary Travel Scheme, Strathclyde Passenger Transport, Consort House, 12 West George Street, Glasgow G2 1HN
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, County Buildings, Wellington Square, Ayr KA7 1DR
Joint Venture	Nature of Body	Accounts available from
Irvine Bay Regeneration Company	Regeneration of the Irvine Bay area through physical transformation.	Ayrshire Innovation Centre, 2 Cockburn Place, i3 Irvine Innovation and Industry, Irvine, Ayrshire, KA11 5DQ
Irvine Bay Development Company	Regeneration of the Irvine Bay area by creating new facilities and improving existing facilities.	Ayrshire Innovation Centre, 2 Cockburn Place, i3 Irvine Innovation and Industry, Irvine, Ayrshire, KA11 5DQ

Restrictions on Transfer of Funds

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

Non-material Interests in Other Entities

In addition to the organisations outlined above, the Council also has an interest in the following organisations:

North Ayrshire Municipal Bank Ltd: the principal business of the bank is to accept deposits from private account holders and to invest resultant funds with North Ayrshire Council. The Directors of the bank are all elected Members of North Ayrshire Council. The accounting year for the bank ends on 31 October, but at 31 March 2015 there were 2,057 accounts held with the bank, with a total of £2.762m on deposit. Of this sum, £2.707m was invested with North Ayrshire Council. No financial benefit accrues to the Council as a result of its interest in the bank. In the very unlikely event that the bank should fail, sums invested in NAC would be available to repay private depositors.

Although the bank has not been incorporated into these group accounts, the amount of the investment is shown as a current liability within the main accounts.

North Ayrshire CCTV Ltd: the principal activity of this charity is the provision of public space CCTV monitoring. The objectives of the charity are to promote and encourage security, public safety regeneration, the prevention of crime and the reduction of the fear of crime for the benefit of the residents of North Ayrshire. The trustees of the board consist of four members of North Ayrshire Council, one representative from Cunninghame Housing Association and appointed trustees from the local communities in which the cameras operate. In 2014/15, North Ayrshire Council contributed £0.209m or 66% of the charity's turnover; however they have been excluded from these group accounts, as the Council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the Council.

Note 39: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 40, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into commercial lease agreements both as landlord and tenant for land and buildings on a variety of lease terms. These arrangements are accounted for as operating leases. The Council has considered the tests under IAS17 and concluded that there is no transfer of the risks and rewards of ownership.
- The Council has no investment properties. All Property, Plant and Equipment is used in the delivery of services, either for administrative purposes or as part of the Council's strategy for the economic regeneration of North Ayrshire.
- The Council contributes up to a maximum of 4 trustees out of 9 in total for North Ayrshire Leisure Limited, a charitable organisation that operates the leisure facilities owned by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council. The Trust is, however, incorporated as an Associate within the Group Accounts presented on pages 23-27.
- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation material contingent liabilities have been disclosed in Note 36.
- The Council has made an accrual in respect of holiday pay owed to employees as at 31 March 2015. The accrual is based on 100% of school-based staff, including teachers and a 2% sample of all other employees.

Note 40: Accounting Policies

General Principles

These Accounts summarise the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts 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.

A Accruals of Income and Expenditure

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

- 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.
- All known specific and material sums payable to the Council have been brought into account. Revenue from the sale of goods or the provision of services is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser or can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.
- 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. Interest receivable and dividend income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

- 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 as been agreed at £5,000, therefore all known transactions of £5,000 or above have been included.
- Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

B Allocation of Central Support Costs and Recharges to Capital

The net cost of central support services is fully allocated to user services in accordance with the seven principles of the CIPFA Service Reporting Code of Practice (SeRCOP), with the exception of:

- Corporate and Democratic Core: costs relating to the Council's status as a multi-functional, democratic organisation;
- Non-Distributed Costs: the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the CIES, as part of Net Cost of Services.

C Carbon Reduction Commitment Scheme

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

D Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily

convertible to known amounts of cash with insignificant risk of change in value.

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

E Charges to Revenue for Non-Current Assets

Services are debited 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 and impairments. Depreciation and impairment losses are replaced by Loans Fund principal repayments in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

F Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees, are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned up to 31 March are included in the Statement of Accounts 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. 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 involve 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, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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

The Local Government Pension Scheme

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

The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected credit unit method'. i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

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

The assets of the Strathclyde Pension Fund attributable to North Ayrshire Council are included in the Balance Sheet at their fair value of current bid prices as required under IAS19, as revised in June 2011.

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

- current service cost – the increase in liabilities as a result of service earned this year, allocated in the

CIES to the services for which the employees worked.

- past service cost (including curtailments) – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, charged to Non Distributed Costs in the CIES.
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, charged to the Financing and Investment Income and Expenditure line in the CIES.
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the CIES.
- gains/losses on settlements – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, charged or credited to Non-Distributed Costs in the CIES.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with either financial assumptions, demographic assumptions, or assumptions based on experience made at the last actuarial valuation, or because the actuaries have updated these assumptions, charged to the Pensions Reserve on the Balance Sheet.
- employer's contributions – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

G Events after the Reporting Period

These are events, both favourable and unfavourable, that occur between the end of the reporting period (31 March) and the date when the Statement of Accounts

is authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

H Exceptional Items and Prior Period Adjustments

When items of income or expenditure are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

I Financial Assets

The financial assets of the Council are entirely comprised of loans and receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value, then at amortised cost. For most of the Council lending, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

J Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes contractually obliged by the financial instrument and are initially measured at fair value and then carried at amortised cost.

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.

K 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.

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). Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

When the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

L 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 Community and Culture 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.

M 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 1 and 6 years) to the relevant service line(s) in the CIES.

N Inventories

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

O Investment Properties

Investment properties held by the Council were reclassified on 1 April 2009 as a result of not meeting the criteria defined by the code. These properties are now categorised as Property, Plant and Equipment. Common Good properties are categorised as Investment Properties.

P Landfill Allowance Trading Scheme

Landfill allowances became tradable in Scotland on 1 April 2008. Allowances (whether issued free by the Scottish Government or purchased from another waste disposal authority) are recognised as current assets. As landfill is used, a liability is recognised measured at the best estimate of the expenditure required to meet the obligation at the balance sheet date, which is normally the market price. The scheme is currently under review and the Scottish Government has suspended penalties and trading, therefore no asset or liability has been recognised in the Statements as there is no market for the allowances.

Q 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 from use of the leased property.

The Council as Lessor

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

R 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.

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on additions to Property, Plant and Equipment is also 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 by management.

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

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

- plant, equipment, infrastructure and community assets – depreciated historical cost;
- vehicles – net realisable value;
- assets under construction – historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that

balance (up to the amount of the accumulated gains);

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 must be highly probable;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale should be expected to qualify for recognition as a completed sale within one year.

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.

Depreciation

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

construction). Investment Properties and Assets Held for Sale are not subject to depreciation.

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

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

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

S Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

T Public Private Partnership (PPP) and Similar Contracts

PPP 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 contractor. As the Council is deemed to control the services that are provided under its PPP 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 operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the CIES;
- finance cost – 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;

- payment towards liability – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- life-cycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

U 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.

V 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.

W 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.

