



# Annual Accounts

## 2021-22



North Ayrshire Council  
Comhairle Siòrrachd Air a Tuath



## Table of Contents

<b>Management Commentary</b>	<b>2</b>	<b>Notes to the Balance Sheet</b>	<b>61</b>
<b>Statement Of Responsibilities</b>	<b>21</b>	Note 12: Property, Plant and Equipment	61
<b>Remuneration Report</b>	<b>22</b>	Note 13: Fair Values	63
<b>Annual Governance Statement</b>	<b>31</b>	Note 14: Assets Held for Sale	63
<b>Independent Auditor's Report</b>	<b>37</b>	Note 15: Heritage Assets	64
 		Note 16: Intangible Assets	65
 		Note 17: Capital Expenditure and Capital Financing	65
<b>Core Financial Statements</b>	<b>41</b>	Note 18: Private Finance Initiatives, Non Profit Distributing	67
Comprehensive Income and Expenditure Statement	41	Models and Similar Contracts	67
Movement in Reserves Statement	42	Note 19: Long Term Debtors	68
Balance Sheet	43	Note 20: Inventories	69
Cash Flow Statement	44	Note 21: Short Term Debtors	69
 		Note 22: Debtors for Local Taxation	69
<b>Supplementary Statements</b>	<b>45</b>	Note 23: Short Term Borrowing	69
Housing Revenue Account	45	Note 24: Short Term Creditors	70
Common Good and Trusts	47	Note 25: Provisions	70
Non-Domestic Rates Account	49	Note 26: Financial Instruments	71
Council Tax Account	50	Note 27: Risks arising from Financial Instruments	73
 		Note 28: Pensions Schemes Accounted for as Defined Contribution Schemes	77
<b>Notes to the Accounts</b>	<b>52</b>	Note 29: Defined Benefit Pension Schemes	78
<b>Notes to the CIES</b>	<b>52</b>	Note 30: Unusable Reserves	82
Note 1: Expenditure and Funding Analysis	52	Note 31: Related Parties	84
Note 2: Expenditure and Income Analysed by Nature	54	Note 32: Contingent Liabilities	86
Note 3: Financing and Investment Income and Expenditure	54	Note 33: Events after the Balance Sheet Date	86
Note 4: Other Operating Expenditure and Income	55	 	
Note 5: Material Items	55	<b>Notes to the Cash Flow Statement</b>	<b>87</b>
Note 6: Agency Services	55	Note 34: Cash Flow – Operating Activities	87
Note 7: Grant Income	56	Note 35: Cash Flow – Investing Activities	87
Note 8: External Audit Costs	57	Note 36: Cash Flow – Financing Activities	88
Note 9: Leases	57	Note 37: Cash Flow – Cash and Cash Equivalents	88
<b>Notes to the MiRS</b>	<b>58</b>	<b>Notes to the Group Accounts</b>	<b>88</b>
Note 10: Adjustments between Accounting Basis and Funding Basis under Regulations	58	Note 38: Notes to the Group Accounts	88
Note 11: Transfers to/(from) Funds	60	 	
 		<b>Accounting Policies and Assumptions</b>	<b>93</b>
		Note 39: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	93
		Note 40: Accounting Standards issued, not yet Adopted	93
		Note 41: Critical judgements in applying accounting policies	94
		Note 42: Accounting Policies	95
		<b>Glossary of Terms</b>	<b>104</b>



## Management Commentary

The Annual Accounts presents North Ayrshire residents, Elected Members and other stakeholders with detailed information on the financial management and performance of the Council for 2021/22, demonstrating the stewardship of the public funds which have been used to support the Council's key priorities.

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

The Management Commentary outlines the key messages on the Council's financial and service performance for 2021/22 and looks ahead to the challenges and risks which we face in the future. Key areas which the Management Commentary covers includes:

- North Ayrshire by Numbers;
- Political and Management Structures;
- Key Strategies and Priorities;
- Performance and Achievements during 2021/22;
- Financial Planning and Performance for 2021/22; and
- Our Future Plans for 2022/23 and beyond.

## North Ayrshire by Numbers

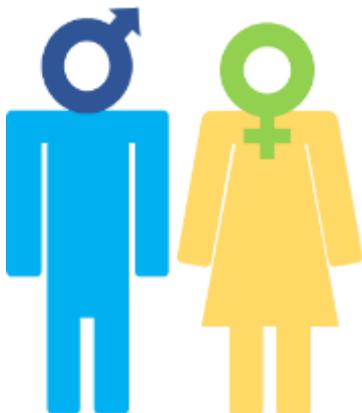
### Geography



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

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

### Population



North Ayrshire is home to 134,250 residents living across 64,415 households, making us the 15<sup>th</sup> largest local authority in Scotland in terms of population.

Compared to the Scottish average, North Ayrshire is home to a higher proportion of older residents :

	North Ayrshire	Scotland
Residents aged under 16	16%	17%
Residents aged 16 – 65	62%	65%
Residents aged 66 or over	22%	18%



## Infrastructure



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

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

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

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

## Economic Activity



26.9% of SIMD (Scottish Index of Multiple Deprivation) Datazones in North Ayrshire are amongst the 15% most deprived in Scotland, with 27.9% of Children living in poverty, compared to the 24.3% across Scotland.

In terms of Economic Activity, there are 4,160 business across North Ayrshire. However, we report higher levels of worklessness and lower levels of economic activity and qualifications than the Scottish average:

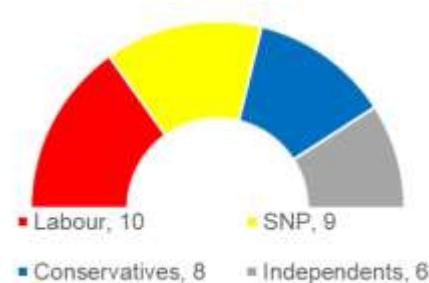
	North Ayrshire	Scotland
Economically Active Adults	69.8%	76.2%
Workless Households	14.1%	12.8%
Adults with no formal qualifications	11.4%	7.7%

## Our Political and Management Structures

### 2021/22

At 31 March 2022, North Ayrshire Council had 33 Elected Members representing 10 multi-member wards.

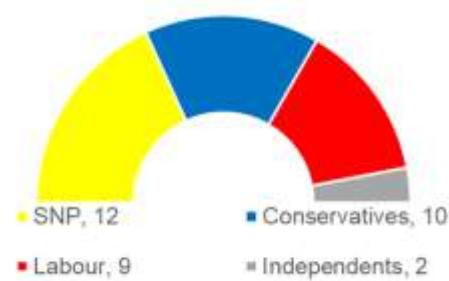
During 2021/22 North Ayrshire Council was a minority Labour administration.



### Subsequent Changes

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

Following these elections, North Ayrshire Council is now a minority SNP administration.





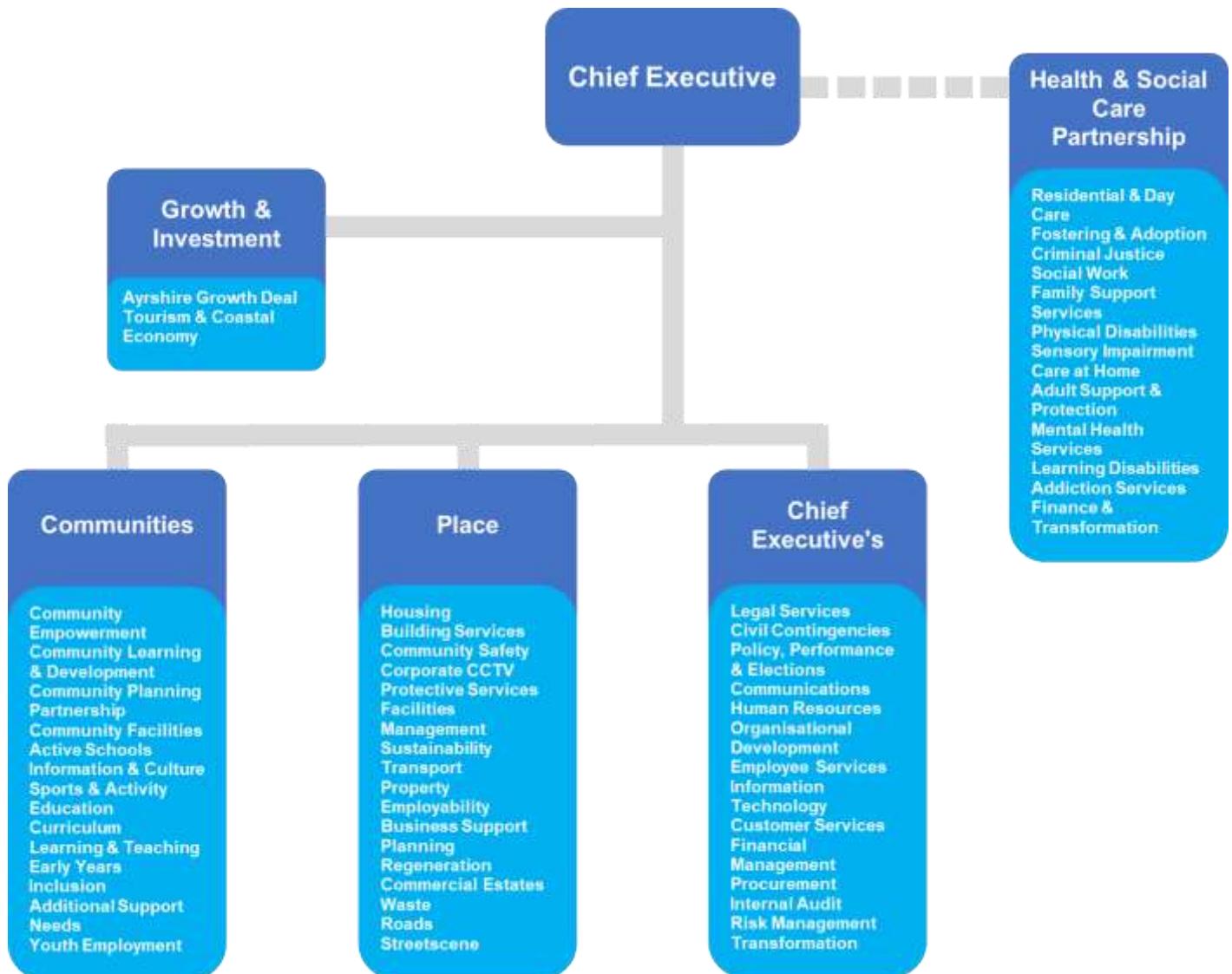
## Council Structure

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

By working with our partners, we deliver local services ranging from education, social care and housing, to libraries, refuse collection and benefits.

The Council employs over 6,220 staff. Its most senior official is the Chief Executive, Craig Hatton.

Craig, along with the Executive Leadership Team, oversees the delivery of all of our services, including:





## Our Key Strategies and Priorities

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

### Our Vision

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

### Our Mission

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

### Our Priorities

#### Aspiring Communities

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

#### Inspiring Places

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

#### A Council for the Future

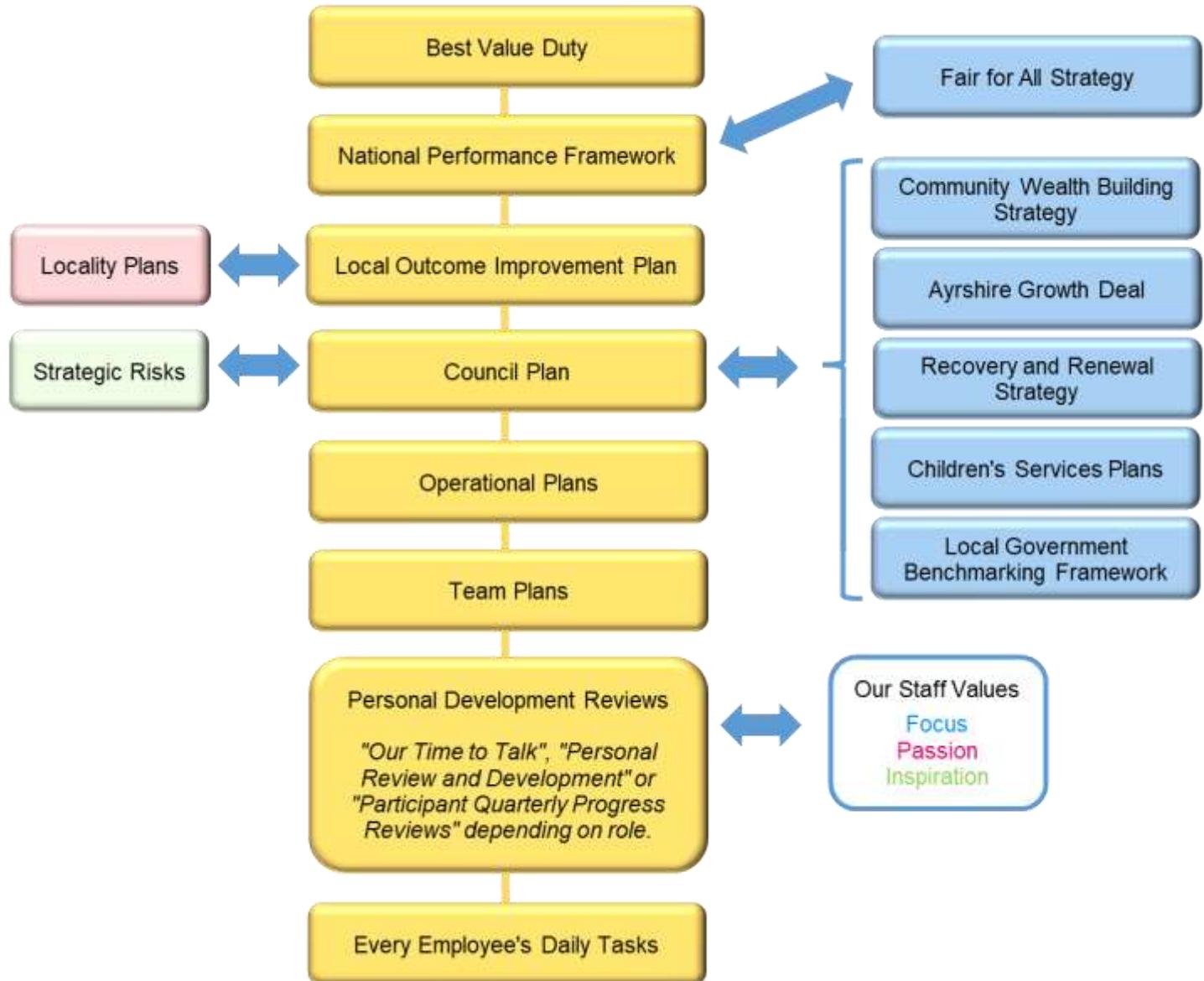
- ❖ An accessible Council that puts residents and communities at the heart of what we do
- ❖ An efficient Council that maximises resources and provides value for money
- ❖ A valued workforce that delivers high quality services
- ❖ A powerful and respected voice

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



## The Golden Thread

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



## Our Performance and Achievements during 2021/22

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

The Council's [Performance Management Strategy 2021-24](#) outlines how the Council's performance management supports a culture of continuous improvement in order to achieve the best outcomes for the people of North Ayrshire.

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



## Looking back at 2021/22

Throughout 2021/22 we have continued to deliver and improve services and outcomes for the people of North Ayrshire while operating under the restrictions in place to manage the spread of Covid-19. Specific examples of the progress made in delivering the Council Plan have included:

### Aspiring Communities

#### Lockhart Campus

Following an investment of £31.3 million, our new Additional Support Needs school opened in Stevenston. Lockhart Campus has replaced four former schools and provides classroom settings, a swimming pool, a hydrotherapy pool, sensory rooms and a soft play area.

The new facilities will enable Health and Social Care Partnership (HSCP) colleagues to provide therapy and other treatments on site, while the range of internal and external learning and play spaces will provide a range of education and developmental supports to children from across North Ayrshire.



#### Strategic Community Learning and Development Plan 2021-2024

Our Community Learning and Development Plan for 2021-24 was approved in September and sets out how we will support each of our localities by providing digital learning and career support, address poverty including food insecurity and, by doing so, improve the life chances of our residents.

#### Expansion of Early Learning and Childcare

Significant multi-year investment in our early years estate and outdoor learning spaces has continued throughout the year, with the majority of works to create indoor and outdoor learning environments to support play and learning now completed.

This has supported the delivery of access to 1,140 hours of free childcare per year for all eligible children across North Ayrshire.



#### Expanded Provision of Free School Meals

During the year we have successfully expanded the provision of universal free school meals to primary four and five pupils across North Ayrshire. Working with colleagues from the Scottish Government, planning is now underway for the phased roll out of free school meals across all primary school children in the near future.

#### New Respite Facilities for Adults and Young People with Additional Support Needs

Our two new, purpose-built respite facilities for adults and young people with additional support needs were opened during 2021. Red Rose House and Roslin House each provide eight ensuite bedrooms which open out onto landscaped gardens.

The facilities provide a range of activities that enable guests to enjoy short respite breaks as part of their care and support plans.



#### Review of Libraries, Halls & Community Centres and Development of Community Hubs

Following extensive consultation, a new model for the provision of libraries, halls and community centres and further development of our community hubs was agreed and will continue the establishment of Hubs across our localities to offer information and support.



## Inspiring Places

### Development of the Strategic Housing Investment Plan 2022-2027

During 2021/22 we have continued to deliver on our commitment to develop 1,625 new build Council homes, including 275 new homes to replace the Fullarton tower blocks, with over 690 new homes completed to date.

The [Strategic Housing Investment Plan 2022 – 2027](#) sets out the priorities for affordable housing investment in North Ayrshire over the next five years to support the outcomes in the Local Housing Strategy and represents a total investment of £171.5m over the 5 year period.



### Development of the Island Plans

10-year socio-economic [Island Plans](#) were approved during 2021/22. Together with the associated 2022/23 Annual Action Plans for Cumbrae and Arran, these Plans support an inclusive and green economic recovery and renewal of North Ayrshire's Island communities in line with their unique circumstances and opportunities.

### Ayrshire Growth Deal

Work, including the development of business cases and preparation of tender documents, has continued in relation to the key investment projects at:

- ❖ Ardrossan North Shore;
- ❖ Hunterston Strategic Development Area;
- ❖ The Great Harbour;
- ❖ The development of Marine Tourism; and at
- ❖ i3 in Irvine.



### Environmental Sustainability and Climate Change Strategy 2021-23

Our third consecutive Environmental Sustainability and Climate Change Strategy 2021-23 was approved in May 2021 and provides a roadmap of actions to achieve net-zero carbon status across North Ayrshire by 2030. In addition, our [Electric Vehicle Strategy 2021-2025](#) was also approved which will help reduce carbon emissions, improve local air quality, health and wellbeing.

### Solar PV Farms

Work is underway on the development of a solar photovoltaic (PV) farm at the former landfill site at Nethermains, Kilwinning. When complete, the project is expected to generate 34% of our Council's energy needs, reducing CO<sub>2</sub> by 501 tonnes per year.

Plans for the development of a second solar farm at the former landfill site at Shewalton are also being progressed with the potential for a further reduction in CO<sub>2</sub> of 358 tonnes each year.



### Regeneration Delivery Plan Update

Adopted in March 2021, the Regeneration Delivery Plan set out our priorities for delivering on the regeneration ambitions of the Council Plan and Community Wealth Building Strategy, working in partnership with communities. It focusses on the delivery of physical regeneration across North Ayrshire through an ambitious project based rolling action programme.

During 2021/22 significant progress has been achieved with key successes including:

- ❖ Launch of the Repurposing Property Grant Fund to support communities to bring vacant and derelict land and properties into positive management;
- ❖ Community Renewal Fund investment in the Green Islands Programme, incorporating the Islands Connectivity Study;
- ❖ £23.7m of Levelling Up investment towards the B714 upgrade project; and
- ❖ Securing external investment in a range of active travel and transport projects across North Ayrshire.



## A Council for the Future

### Support for Individuals and Businesses

North Ayrshire Council has administered a range of grant schemes, supporting businesses, individuals and families impacted by the Covid-19 pandemic. In addition to ongoing Non Domestic Rates Relief for the Retail, Hospitality and Leisure sectors, £15.9m has been provided as direct grants to businesses, while £5.9m has been paid to low income families and those required to self-isolate.

### Best Value Update

Following the 2020 Best Value Audit, four key recommendations were identified in relation to the ongoing improvement of service delivery within North Ayrshire. Specific progress in relation to these recommendation during 2021/22 included:

- ❖ Continued progression of the Transformation and Renewal Programme. The governance structure which supports the programme has been put in place with a new monitoring framework to track progress;
- ❖ Workforce Planning has been aligned with challenges, service reviews and the transformation agenda;
- ❖ Five of our locality partnerships have agreed their ongoing priorities which target local inequalities. Work on the Arran locality partnership's priorities is being developed along with the Islands Plan; and
- ❖ The Council's Performance Dashboard has been developed to provide residents with a user friendly, accessible way to access performance data, with links to key external sites including the Local Government Benchmarking Framework.

## Financial Planning and Performance

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



For 2021/22, North Ayrshire Council approved General Fund and Housing Revenue Fund (HRA) revenue expenditure of over £417m to support day to day spending on services.

Alongside this, North Ayrshire Council approved plans to invest £187m in the assets which support delivery of our key priorities, including schools, housing, infrastructure and regeneration activities.



## Financial Performance

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

The following section summarises our financial performance for 2021/22.

### General Fund Revenue Expenditure 2021/22

For 2021/22 the final expenditure on General Fund Services was £375.254m against a revised budget of £392.330m. This resulted in a net contribution to reserves of £32.192m.

	Revised Budget	Actual Expenditure	Variance	Accounting Adjustments	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Chief Executives	26.350	25.712	(0.638)	0.419	26.131
Communities	149.176	146.204	(2.972)	(10.702)	135.502
Place	69.040	66.560	(2.480)	44.568	111.128
HSCP	107.059	107.059	-	10.778	117.837
Other Corporate items	18.485	7.494	(10.991)	0.866	8.360
Financing Costs	22.220	22.225	0.005	(29.703)	(7.478)
<b>Total Expenditure</b>	<b>392.330</b>	<b>375.254</b>	<b>(17.076)</b>	<b>16.226</b>	<b>391.480</b>
Government Grants	(306.852)	(306.852)	-	26.267	(280.585)
Non Domestic Rates	(28.350)	(28.392)	(0.042)	(0.128)	(28.520)
Council Tax	(59.856)	(59.887)	(0.031)	-	(59.887)
Contribution from Reserves	(12.315)	(12.315)	-	12.315	-
<b>Total Income</b>	<b>(407.373)</b>	<b>(407.446)</b>	<b>(0.073)</b>	<b>38.454</b>	<b>(368.992)</b>
<b>Contribution to Reserves</b>	<b>(15.043)</b>	<b>(32.192)</b>	<b>(17.149)</b>	<b>54.680</b>	<b>22.488</b>

The net expenditure for each service noted above varies from that reported in the Comprehensive Income and Expenditure Statement (CIES) as a result of a number of statutory accounting adjustments in relation to capital accounting, pensions and other minor adjustments. Full details of these adjustments are explained in Note 1 Expenditure and Funding Analysis on page 52.

The Council's contribution to the Health and Social Care Partnership (HSCP) includes an additional £1.486m which has been drawn down to facilitate the partial repayment of the HSCP's outstanding deficit. The HSCP's cumulative deficit now stands at £2.320m.

Overall, services reported an underspend of £17.076m, 4.4% of the available budget. Significant variances reported by services included:

- ❖ £5.988m additional funding received to support future service delivery;
- ❖ £3.158m underspend in relation to vacancy management and lower than budgeted pay inflation across services;
- ❖ £2.772m underspend within Early Learning and Childcare due to the revised programme for full implementation of the expansion to 1140 hours and lower than anticipated uptake levels across funded providers;
- ❖ £2.368m reduction in provision for bad debts following a re-assessment of lifetime expected credit losses;
- ❖ £1.403m higher than anticipated income and other recoveries;
- ❖ £0.545m related to Non Domestic Rates revaluations and reliefs in respect of Council properties; and
- ❖ £0.501m arising from lower than anticipated severance costs across services.



During the year £3.714m of additional costs and reduced income as a direct result of the Covid related restrictions has been offset by a range of efficiencies and cost reductions across services.

The actual Contribution to Reserves of £32.192m includes planned contributions of £14.831m comprising:

- ❖ £7.770m to the Recovery and Renewal Fund;
- ❖ £4.045mm to the Loans Fund Reserve;
- ❖ £1.400m to the Investment Fund;
- ❖ £1.066m contribution to the Affordable Housing Reserve;
- ❖ £0.520m in relation to agreed investments in Digitisation and Outdoor & Residential Learning; and
- ❖ £0.030m of contributions to Schools DMR and Other Statutory Funds.

Further contributions to reserves of £17.361m were agreed by Cabinet throughout the year, these include:

- ❖ £4.700m of additional funding, including support for businesses, low income households and employability;
- ❖ £3.391m to support inflationary related measures;
- ❖ £3.073m additional contribution to the Investment Fund;
- ❖ £2.601m to support the continued expansion of Early Learning and Childcare services;
- ❖ £2.530m in relation to service activity deferred as a result a number of factors, including the impact of Covid-19 restrictions; and
- ❖ £1.066 for contractual energy price inflation for 2022/23.

After the earmarking of £17.361m to meet future year expenditure and investment requirements, a final in-year breakeven position has been reported.

For 2021/22 in-year council tax collection was 93.3% (92.1% in 2020/21). Although this is an improvement since 2020/21, this is still lower than collection levels in the period before the Covid-19 pandemic. This reflects the temporary deferral of debt recovery activity during the Covid-19 lockdown period.

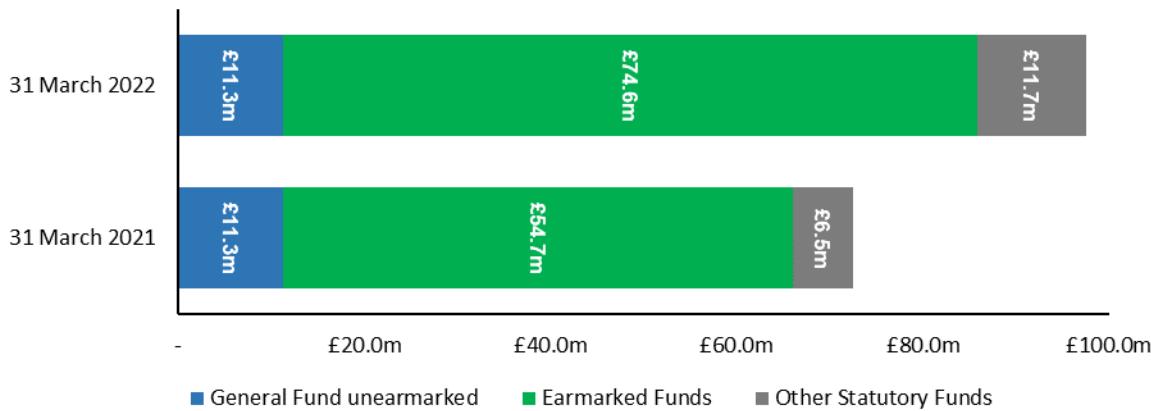
## General Fund Reserves

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

Unearmarked reserves ensure we can manage any unexpected financial demands without disrupting delivery of Council services. The level of unearmarked reserves reflects the current financial environment and degree of risk and uncertainty faced. Following the reported net in-year breakeven position, the General Fund Unearmarked Balance at 31 March 2022 has remained unchanged at £11.315m, or 2.9% of budgeted expenditure. This is within the recommended range of 2% - 4% for general reserves.

Full details of the Council's General Fund Reserves are shown in Note 11 on page 60, along with information on future commitments. The following diagrams summarise the movements and available balances the General Fund Reserves:



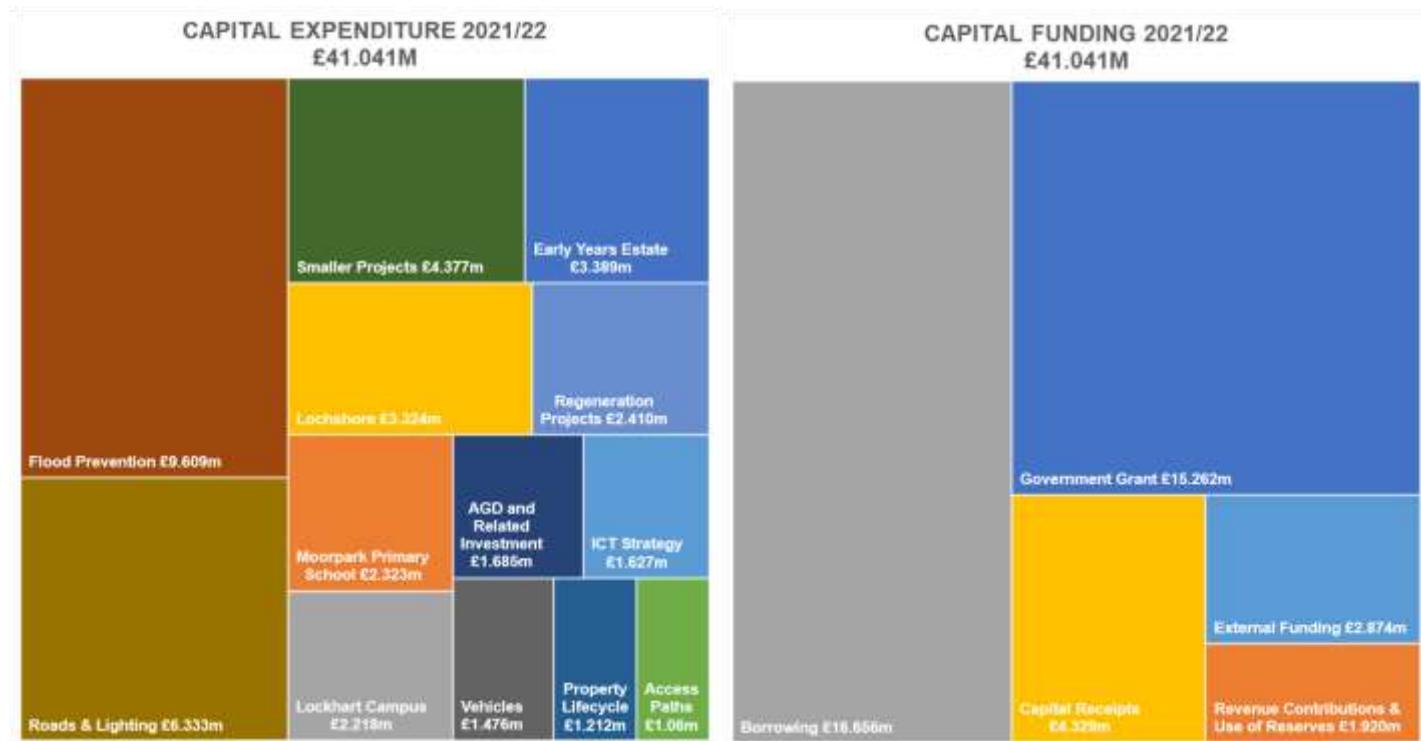


The Transfers to Statutory Funds noted above includes £6.365m of capital receipts recognised in year but which have been credited to the Capital Fund pending confirmation of appropriate abnormal cost deductions and the application of £1.161m from the Capital Fund to support General Fund Capital Expenditure during the year.

### General Fund Capital Expenditure 2021/22

In 2021/22 the final spend for capital investment was £41.041m, which was in line with the revised budget. Further details, including comparative figures for 2020/21 are provided in Note 17 on page 65.

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





## Housing Revenue Account 2021/22

For 2021/22 the final expenditure on the Housing Revenue Account (HRA) services was £50.248m against a budget of £53.983m. An analysis of actual funding and expenditure is provided below. Full details are provided in the Housing Revenue Account Income and Expenditure Statement on page 45.

	<b>Revised Budget</b>	<b>Actual Expenditure</b>	<b>Variance</b>	<b>Accounting Adjustments</b>	<b>Net Expenditure in the CIES</b>
	£m	£m	£m	£m	£m
Employee Costs	5.175	4.959	(0.216)	1.239	6.198
Property Costs	20.924	18.001	(2.923)	-	18.001
Other Costs	5.560	5.315	(0.245)	-	5.315
Financing Costs	22.324	21.973	(0.351)	(7.819)	14.154
<b>Total Expenditure</b>	<b>53.983</b>	<b>50.248</b>	<b>(3.735)</b>	<b>(6.580)</b>	<b>43.668</b>
Council House Rents	(51.526)	(50.707)	0.819	-	(50.707)
Other Rents & Recharges	(2.457)	(2.482)	(0.025)	-	(2.482)
<b>Total Income</b>	<b>(53.983)</b>	<b>(53.189)</b>	<b>0.794</b>	<b>-</b>	<b>(53.189)</b>
<b>Contribution to Reserves</b>	<b>-</b>	<b>(2.941)</b>	<b>(2.941)</b>	<b>(6.580)</b>	<b>(9.521)</b>

The actual expenditure for the HRA noted above varies from that reported in the Comprehensive Income and Expenditure Statement (CIES) as a result of a number of statutory accounting adjustments in relation to capital accounting, pensions and other minor adjustments. Full details of these adjustments are explained in Note 1 Expenditure and Funding Analysis on page 52.

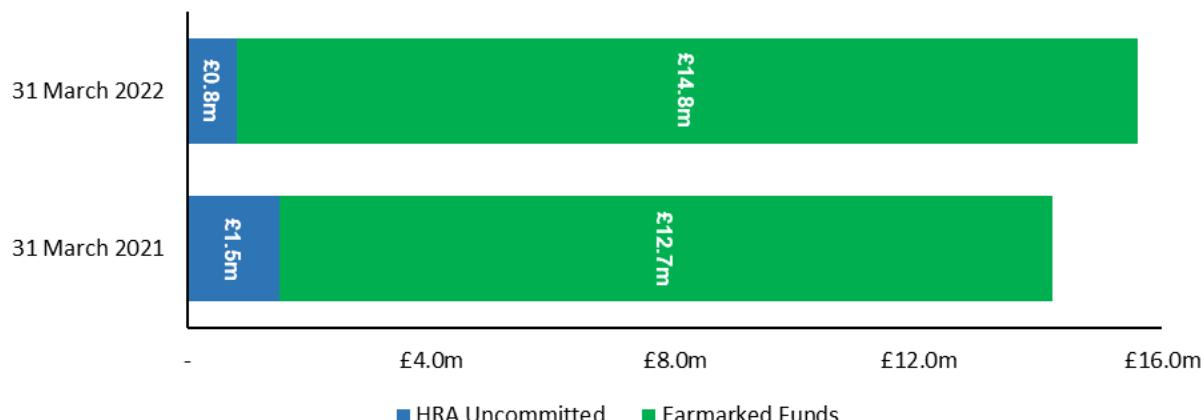
The lower than budgeted expenditure across the service was primarily related to:

- ❖ the reprofiling of a £2.500m contribution towards the sustainability and regeneration programme;
- ❖ reduced expenditure administration costs, £0.473m; and
- ❖ a reduction in loan charges linked to reduced levels of expenditure on the HRA capital programme, £0.352m.

This was partially offset by an under recovery of Council House rents, £0.820m.

The net contribution to reserves of £2.941m has been added to the HRA reserves to support future Housing expenditure including the Council House building programme. This has been partly offset by the application of £1.546m of HRA balances to support capital projects, resulting in an accumulated HRA reserve at 31 March 2022 of £15.616m.

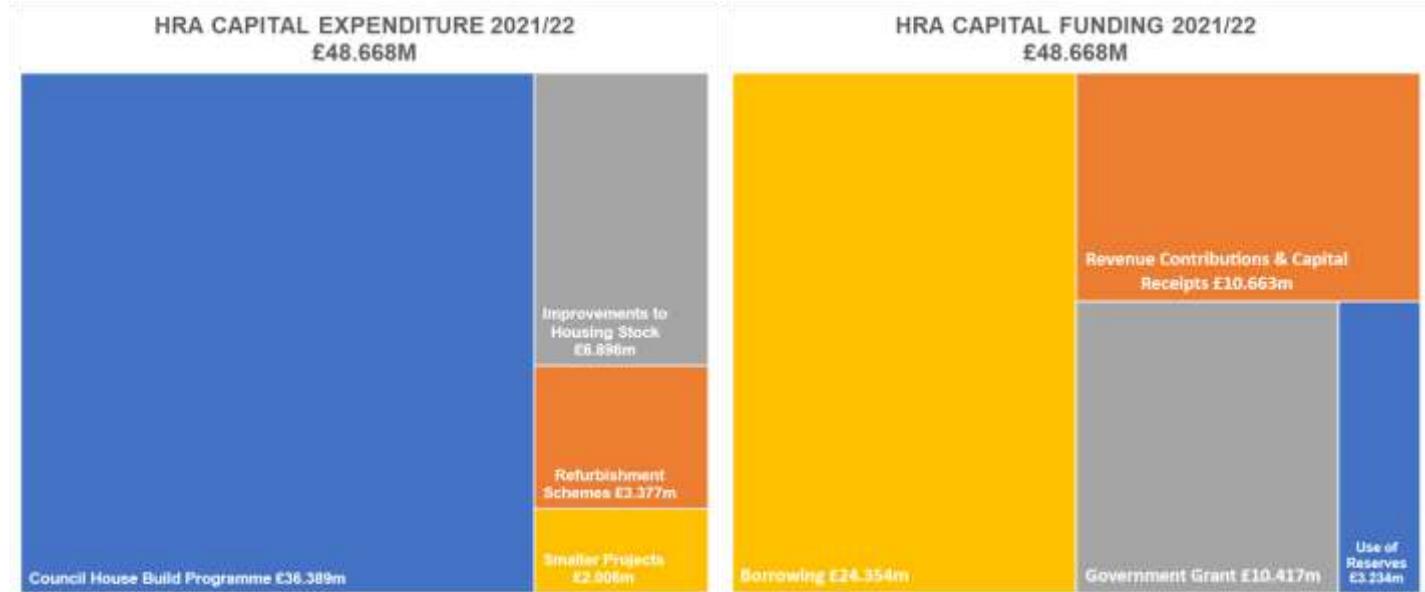
The diagram below summarises the available balances on the HRA Reserves:





## HRA Capital Expenditure 2021/22

In 2021/22 the final HRA expenditure on capital investment was £48.668m against a budget of £48.177m. The chart below identifies the key projects and how the programme was funded. Further details, including comparative figures for 2020/21, are provided in Note 17 on page 65.



## Treasury Management and Investment

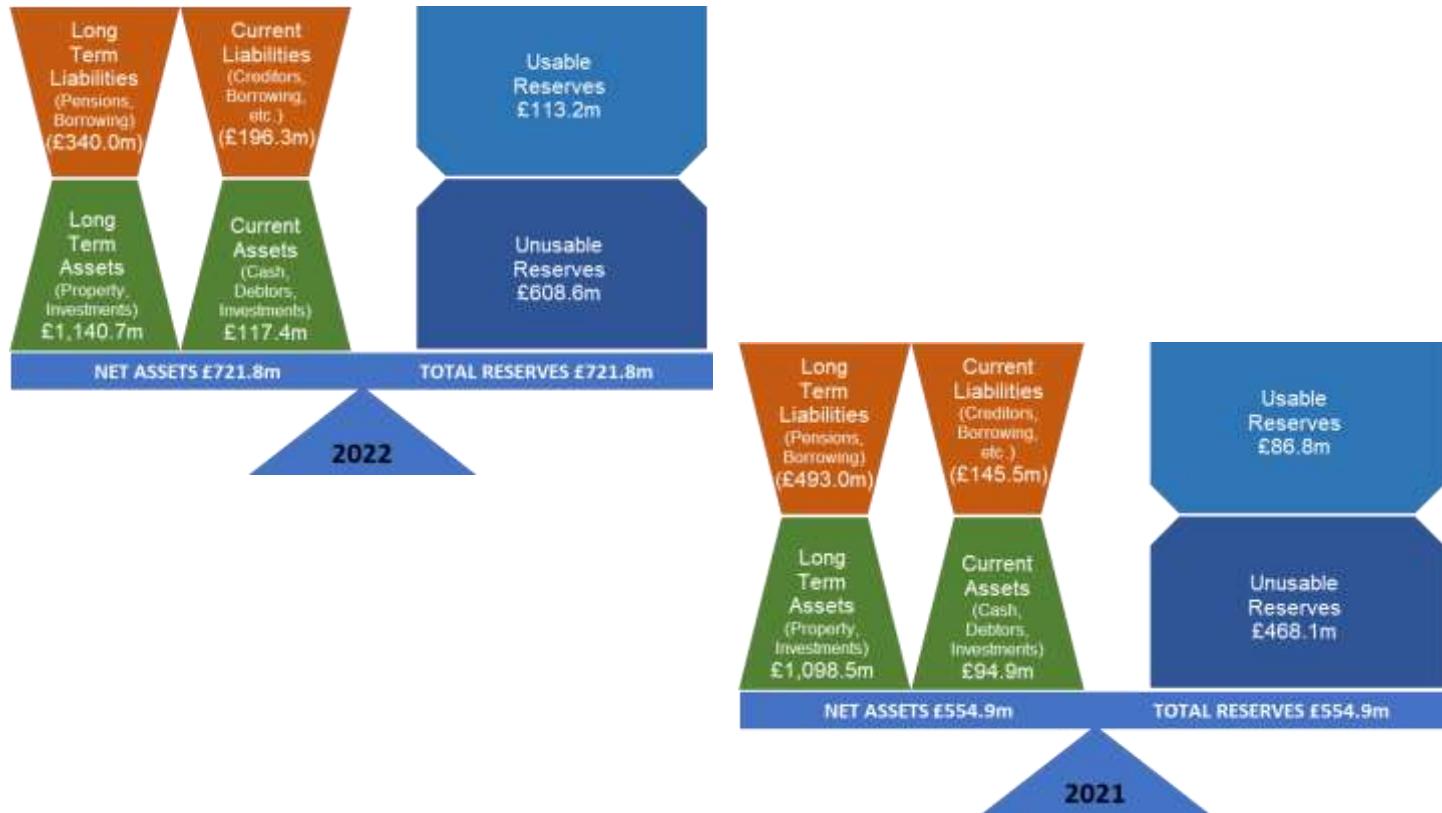
The Treasury Management and Investment Strategy outlines our approach to the management of our investments and cash flows in accordance with the relevant professional codes and regulations. The Strategy balances security and liquidity alongside the risks and returns from investments to ensure that sufficient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

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

Financial Indicator	2021/22	2020/21	Comment
Capital Financing Requirement	£352.6m	£319.5m	Gross External Debt is required to be within our overall Capital Financing Requirement. This is clearly demonstrated by the current under borrowed position, due to our strategy of utilising internal funds.
Gross External Debt	£258.5m	£251.5m	
(Over) / Under Borrowed	£94.1m	£68.0m	
Ratio of financing costs to net revenue stream – General Fund	2.5%	3.0%	We are required to consider the affordability of our capital investment plans in terms of their impact on our revenue stream, demonstrating prudence and ensuring that our investments are sustainable in the long term. The rising ratio within the HRA is indicative of the significant capital investment programme and the level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing Business Plan
Ratio of financing costs to net revenue stream – HRA	18.7%	17.7%	
Loans Fund Interest Rate	3.4%	3.8%	Our effectiveness in managing our debt portfolio is demonstrated by our low average rate of interest which is benchmarked against other local authorities.

## The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2022, with comparative information provided for last financial year. The Balance Sheet brings together assets and liabilities, year end balances, money owed to and by the Council and reserves. More information on the balance sheet is provided on page 43.



The Balance Sheet on page 43 summarises the Assets and Liabilities and shows a net worth of £721.8m. This is an increase from last year due to an increased value of Assets of £64.7m and a reduction in Liabilities of £102.2m. The main changes to the Council's Balance Sheet are explained below:

Long Term Assets have increased in value by £42.2m, mainly due to continued investment in new assets across the Council, including Council Houses and Schools. This has been partly offset by a reduction in the value of our existing assets which have been revalued as part of our five year rolling revaluation programme.

Current Assets have increased by £22.5m, primarily driven by additional Scottish Government funding for the North Ayrshire Integration Joint Board which is channelled through the Council's Health and Social Care Partnership. This is also reflected in the increase in Short Term Creditors.

Reductions in Short and Long Term Borrowing of £5.5m reflect the scheduled repayments of debt which matured during the financial year. New borrowing undertaken during the year has been lower than anticipated reflecting the reduced level of activity in delivering the Council's Capital Investment Strategy resulting from the impact of the Covid-19 pandemic restrictions and the ongoing strategy of using internal resources and temporary borrowing to minimise costs.

The Council's share of Strathclyde Pension Fund's net long term liability as at 31 March 2022 is £57.4m, a reduction of £123.1m. This has been driven by improved returns on assets across the Fund, combined with an increase in the discount rate applied reflecting an increase in corporate bond yields over the year. The impact of this has been partly offset by increases in inflation and upward salary pressures. The effect of these changes on North Ayrshire Council's pension liabilities has been a significant increase in the value of Fund assets, partly offset by an increase in Employer's obligations. The current funding level is 106%, providing sufficient security and income to meet future pension liabilities.



## Outlook and Risks

### Outlook

#### The Economy

Economic performance has a significant impact on the availability of funding and demand for public services.

The Bank of England's Monetary Policy Report for May 2022 noted that global inflationary pressures had intensified sharply following Russia's invasion of Ukraine, leading to a material deterioration in the outlook for world and UK growth.

The situation in Ukraine has resulted in further inflationary pressure on energy and other commodities, including food prices. In addition, further supply chain disruption has resulted from both the Russian invasion of Ukraine and recent Covid-19 restrictions in China.

Although economic activity has risen in recent quarters, growth is expected to slow over the short to medium term, driven by a decline in households' real incomes resulting from ongoing Consumer Price Inflation, which is expected to reach a peak of 10% in late 2022, and the anticipated rise in retail gas and electricity prices due to take effect in the Autumn.

The impact of these pressures within North Ayrshire will be felt in terms of increased demand for Council services as families are adversely impacted by the cost of living crisis and, in particular, the significant increases in energy prices. North Ayrshire Council is currently developing a range of additional support measures for families, communities and businesses with a view to mitigating some of these pressures.

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

### North Ayrshire Council's Plans

#### Our Financial Plans

##### Revenue

In March 2022, the Council agreed its Medium Term Financial Plan (MTFP) for 2022/23 to 2024/25, with an indicative funding gap of £12.8m remaining in relation to the later years. The plan incorporated further investment proposals to address the current cost of living pressure on household income through a sustainable model of support around energy and provided for additional investment to supplement the Council's Investment Fund to progress a range of sustainable energy projects and deliver financial efficiencies as part of the Council's net zero ambitions.

The MTFP recognised the additional one-off funding support being provided by the Scottish Government for 2022/23 together with additional funding to meet the cost of new national expenditure requirements in relation to the Health and Social Care Partnership and additional education staffing. However, future funding projections have been predicated on a likely reduction in government grant and increasing expenditure requirements around inflationary pressures, including pay inflation, utility cost inflation, significant socio economic and demographic pressures and major construction cost volatility in relation to the Council's capital investment programmes.

Subsequently, the ongoing war in Ukraine, international sanctions on Russia and supply chain pressures have resulted in further cost volatility across the construction, food and energy sectors. As a result, North Ayrshire Council has allocated significant reserves to address the impact across our own services as well as providing support to local businesses, families and communities through additional Scottish Government funding.



## **Capital**

The Council has approved a refreshed Capital Investment Programme covering the period up to 2030/31 which will result in total investment of over £409.6m aligned to the Council's key priorities, as set out in the Council Plan 2019-2024, asset management plans and our refreshed Capital Investment Strategy. The refreshed programme will support an economic and green recovery and create employment opportunities through a Community Wealth Building approach.

As well as the reprofiling of over £47m of planned expenditure delayed due to the impact of the pandemic, the Capital Investment Programme has been updated to reflect changes to capital funding and updated spending profiles for existing projects including:

- ❖ The awarding of additional UK Government funding of £23.7m from the Levelling Up Fund to support the upgrading of the B714 to improve connectivity between North Ayrshire and the wider motorway network;
- ❖ Additional investment of £5.2m over 2022/23 to 2023/24 in key areas such as roads maintenance, traffic calming and fleet decarbonisation;
- ❖ Additional investment of £12.2m across the Ardrossan North Shore development driven by anticipated cost increases and construction industry volatility; and
- ❖ Additional investment of £10.4m to improve the current kitchen and dining facilities across the school estate and support the expansion of Free School Meals provision across North Ayrshire.

The refresh has also highlighted significant cost risks linked to the ongoing consequences of the Covid-19 pandemic and a range of global influences including the war in Ukraine and international supply chain pressures. A further £10m of investment was included within the programme to support the management of these risks. It is recognised that further cost pressures will likely arise and the level of capital investment and required funding will continue to be reviewed.

## **Sustainable Change Programme**

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

This programme will develop a pipeline of projects which will deliver improved outcomes, meet the Council's environmental ambitions and deliver financial efficiencies aligned to the Council's Transformation themes of:

- ❖ Caring for People;
- ❖ Land and Property Assets;
- ❖ Transport and Travel;
- ❖ Children, Young People and Communities; and
- ❖ Sustainability.

Within this a range of programmes continue to be progressed with a view to delivering financial efficiencies in the short to medium terms, including:

- ❖ Accessing our Council;
- ❖ Our Future Working Environment;
- ❖ Transport and Travel;
- ❖ Commercial Property;
- ❖ Renewable Energy; and
- ❖ Non-Commercial Land and Property.

## **Climate Change**

North Ayrshire Council's Environmental Sustainability & Climate Change Strategy for the period 2021 to 2023 takes account of emerging intelligence and new technology opportunities to develop a roadmap of actions to achieve net-zero carbon status across North Ayrshire by 2030 with the aims of:

- ❖ Inspiring positive low carbon behaviour, raising awareness of the sustainability and climate change agenda;
- ❖ Maximising access to affordable renewable energy technology;



- ❖ Supporting sustainable transport;
- ❖ Designing and utilising our natural and built assets sustainably; and
- ❖ Supporting local businesses to deliver services sustainably through our Community Wealth Building Strategy.

The Strategy details seven workstreams, each with specific priority actions designed to achieve net-zero carbon status. These include:

- ❖ **Affordable Warmth** - We continue to invest in energy efficiency measures for housing, raising awareness of fuel switching support and income maximisation actions which have been developed;
- ❖ **A Green Economy** - We will prioritise capital and climate investment projects which create fair and green jobs and supporting the local supply chain;
- ❖ **Transport and Travel** - Our Local Transport Strategy will identify our priorities for active and sustainable travel including our commitment to promoting the uptake of electric vehicles and developing a robust charging infrastructure;
- ❖ **Natural Environment** - Our Local Biodiversity Action Plan responds to local challenges and details the actions that the North Ayrshire Biodiversity Partnership intends to achieve;
- ❖ **Sustainable Operations** - We will act on reducing carbon emissions from across all sectors, utilising renewable energy, removing carbon dioxide from the atmosphere and maintaining low carbon behaviours;
- ❖ **Carbon Absorption** - We will develop our tree planting initiative and identify carbon capture and storage opportunities; and
- ❖ **Climate Change Adaptation** - We will seek to adapt to the impacts of climate change and take action to ensure that vital public assets, infrastructure and services are fit for current and future generations.

In support of these ambitious targets, North Ayrshire Council has further increased the level of its Investment Fund from 2022/23.

## Tackling Child Poverty

North Ayrshire Council has developed its Child Poverty Report 2021/22 and Action Plan 2022/23 identifying a range of existing and planned activities intended to reduce child poverty in North Ayrshire.

The Plan presents the Council's commitment to mitigating the current and lasting impacts of the pandemic and to demonstrate our determination to reduce child poverty in the longer term in a backdrop of a cost-of-living crisis with rising food and fuel costs.

Working with our Community Planning partners, the Action Plan seeks to build on our existing achievements in addressing the poverty related attainment gap by developing a more effective whole systems approach which will involve residents and reduce the complexity of support available for our children, young people and their families.

Key actions for 2022/23 will include:

- ❖ Establishment of a new board in North Ayrshire to tackle child poverty;
- ❖ Supporting parents to progress to and improve employment;
- ❖ Continued support for families where disability is a factor through the Equality Programme;
- ❖ Alignment of Pupil Equity Fund resources to effective interventions which will reduce the impact of poverty on learning;
- ❖ Further support activity in relation to care experienced young people;
- ❖ Review the Health Visitor and Family Nurse pathway;
- ❖ Extend our action plan in relation to the national cost of pregnancy report;
- ❖ Progress support for New Scots young people and families;
- ❖ Review financial inclusion services;
- ❖ Review Out of School Care provision;
- ❖ Provide additional support to vulnerable families and children impacted by fuel poverty; and
- ❖ Prioritise mental health and wellbeing in schools and communities.



## Risks

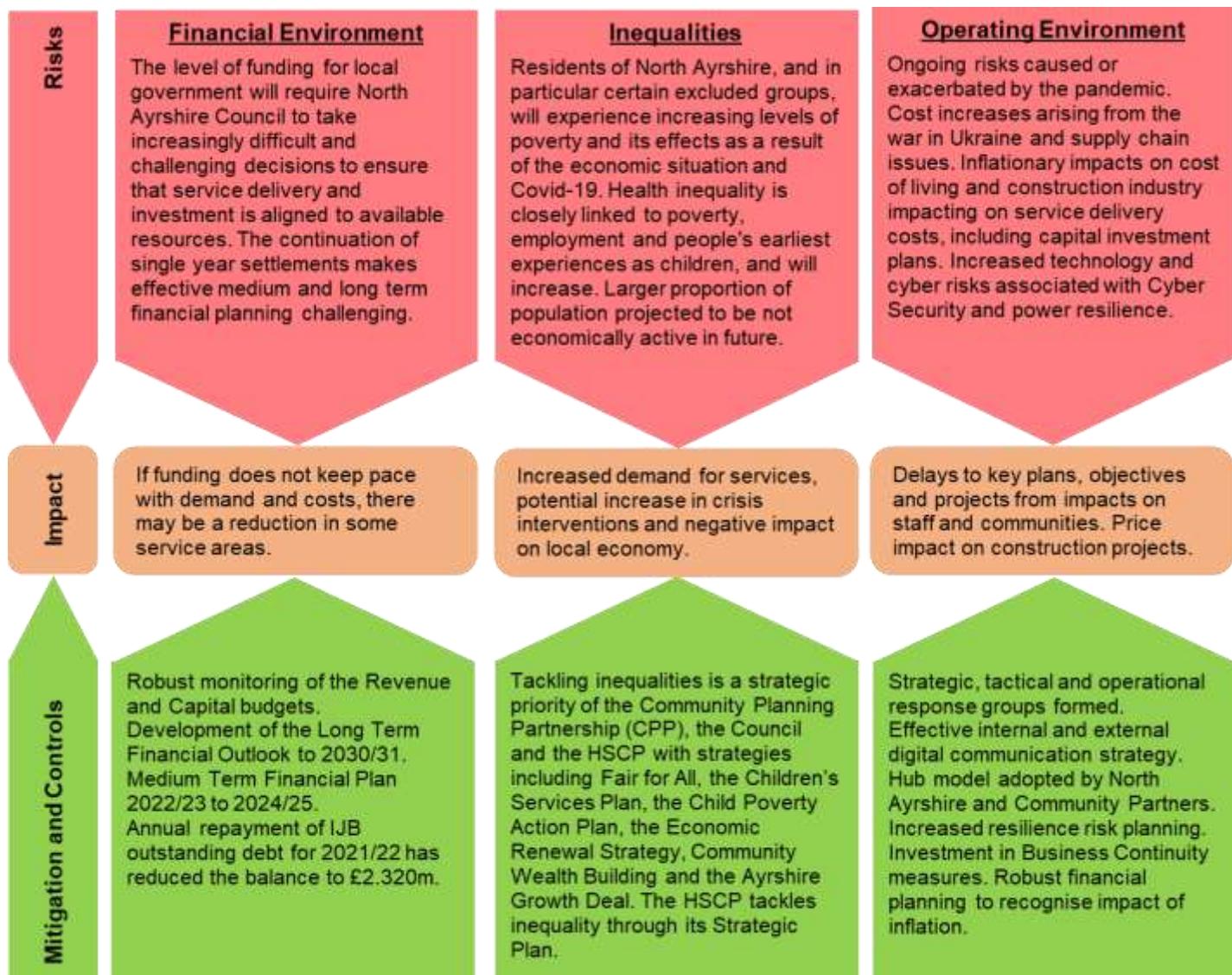
North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.

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

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

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

Those risks classified as Very High are as follows:



A full copy of the strategic risk register can be found at: [Strategic Risk Register](#)



## Supplementary Information

### Common Good and Trust Funds

The Council administers six Common Good Funds for the former burgh areas of Ardrossan, Irvine, Largs, Millport, Saltcoats and Stevenston. Overall the Common Good Funds achieved an in-year surplus of £0.018m resulting in an accumulated surplus as at 31 March 2022 of £2.100m. Details of income and expenditure accounts and balance sheets can be found on page 47 of these accounts.

The Council administers several Trust Funds, some of which are registered charities. Details of income and expenditure accounts and balance sheets can be found on page 48 of these accounts. Overall the Trust Funds reported an in year surplus of £0.004m resulting in an accumulated surplus as at 31 March 2022 of £0.376m. Separate annual accounts and a Trustees' Annual Report have been prepared for the charitable trusts. These are subject to separate external audit and are available on the Council's website at:

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

### Group Accounts

The Council has a material interest in a number of other organisations and is therefore required to produce Group Accounts. The Group results are presented alongside the results for the Council on all the main statements. The effect of including the Group entities along with the Council Accounts is an increase in both Reserves and Net Assets of £59.073m. This represents the Council's share of the net assets in these entities. Further details of the associated entities that have been incorporated into the financial statements can be found in Note 38 on page 88.

## Where to Find More Information

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

These can be found at: <http://www.north-ayrshire.gov.uk/council/strategies-plans-and-policies>; and  
<http://www.north-ayrshire.gov.uk/council/performance-and-spending>



Craig Hatton  
Chief Executive  
15 November 2022

Councillor Marie Burns  
Leader of the Council  
15 November 2022

Mark Boyd  
Head of Finance  
15 November 2022



## Statement of Responsibilities

### Responsibilities of the Council

The Council is required:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit and Scrutiny Committee on 15 November 2022.



Councillor Marie Burns  
Leader of the Council  
15 November 2022

### Responsibilities of the Chief Financial Officer

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

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

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- Kept adequate accounting records that were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of North Ayrshire Council and its group at the reporting date and the transactions of North Ayrshire Council and its group for the year ended 31 March 2022.

Mark Boyd  
Head of Service, Finance  
15 November 2022





# Remuneration Report

## Introduction

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

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

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

## Remuneration of Councillors

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2021/22 the salary for the Leader of North Ayrshire Council was set at £37,213 (2020/21: £35,713) and the salary for the Provost was set at £27,910 (2020/21: £26,785), the maximum level.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. For 2021/22, the maximum salary which could be paid to a Senior Councillor was £27,910 (2020/21: £26,785) with the maximum number of Senior Councillors set at 14. The total remuneration for Senior Councillors (excluding the Provost and Leader) should not exceed £325,598 (2020/21: £312,473).

As at 31 March 2022 the Council had 9 Senior Councillors (2020/21: 9). The annual salaries for the Depute Leader and the Leader of largest minority party were set at £27,910 (2020/21: £26,785), the maximum level. The remaining Senior Councillors received an annual salary of £23,257 (2020/21: £22,320), and total remuneration of £219,339 (2020/21: £209,810).

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

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



Table 1: Remuneration of Senior Councillors

Councillor Name and Responsibility	Date From	Date To	Total Remuneration 2021/22 £	Total Remuneration 2020/21 £
<b>Alex Gallagher</b> Cabinet Member	April 2021	March 2022	23,257	22,320
<b>Christina Larsen</b> Chair, Planning Committee	16 February 2022	March 2022	2,838	-
<b>Ian Clarkson</b> Provost	April 2021	March 2022	27,910	26,785
<b>James Montgomerie</b> Cabinet Member	April 2021	March 2022	23,257	22,320
<b>Joe Cullinane</b> Leader of the Council	April 2021	March 2022	37,213	35,713
<b>John Bell</b> Depute Leader of the Council	April 2021	March 2022	27,910	26,785
<b>Louise McPhater</b> Cabinet Member	April 2021	March 2022	23,257	22,320
<b>Marie Burns</b> Leader of the Largest Minority & Chair, Audit and Scrutiny Committee	April 2021	March 2022	27,910	26,785
<b>Robert Barr</b> Depute Provost	April 2021	March 2022	23,257	22,320
<b>Robert Foster</b> Cabinet Member	April 2021	March 2022	23,257	22,320
<b>Ronnie McNicol</b> Chair, Licensing Committee	April 2021	March 2022	23,257	22,320
<b>Tom Marshall</b> Chair, Planning Committee	April 2021	16 February 2022	21,139	22,320
<b>Total</b>			<b>284,462</b>	<b>272,308</b>

Remuneration paid to the Provost and Leader of the Council in 2021/22 is £65,123 (2020/21: £62,498). Total remuneration to the remaining 9 Senior Councillors is £219,339 (2020/21: £209,810).

Note: Total remuneration consists of salaries and allowances only.

## Remuneration of Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/151 sets the salary for the Chief Executive of North Ayrshire Council for the period 2021/22. The salaries of the Directors are based on a fixed percentage of the Chief Executive's salary. Senior employees do not receive any other benefits. Details of the Remuneration of Senior Employees are shown in Table 2.

During 2021/22, the Chief Executive and the Executive Director (Communities) held positions of Director in North Ayrshire Ventures Trust. The Director (Growth & Investment) held a position of Director of Ardrossan North Shore LLP. There was no remuneration associated with these positions.



Table 2: Remuneration of Senior Employees of the Council

Name and Post Title	Date From	Date To	Salary and Allowances 2021/22 £	Total Remuneration 2021/22 £	Total Remuneration 2020/21 £
<b>Craig Hatton</b> Chief Executive	April 2021	March 2022	144,553	144,553	143,553
<b>Craig Hatton</b> Returning Officer/Counting Officer	April 2021	March 2022	6,881	6,881	1,331
<b>Audrey Sutton</b> Executive Director, Communities	April 2021	March 2022	116,114	116,114	115,114
<b>Caroline Amos</b> Interim Executive Director, Communities (Full Year Equivalent £116,114)	24 Aug 2021	13 Mar 2022	64,780	64,780	-
<b>Karen Yeomans</b> Director, Growth & Investment	April 2021	March 2022	116,114	116,114	115,114
<b>Russell McCutcheon</b> Executive Director, Place	April 2021	March 2022	116,114	116,114	115,114
<b>Andrew Fraser</b> Monitoring Officer (Full Year Equivalent £94,415)	April 2021	10 Sep 2021	42,312	42,312	93,415
<b>Aileen Craig</b> Monitoring Officer (Full Year Equivalent £88,965)	19 Jul 2021	March 2022	62,680	62,680	-
<b>David MacRitchie</b> Chief Social Work Officer (Full Year Equivalent £77,386)	April 2021	June 2021	20,704	20,704	79,283
<b>Elizabeth Stewart</b> Chief Social Work Officer (Full Year Equivalent £67,386)	01 May 2021	19 Dec 2021	43,002	43,002	-
<b>Scott Hunter</b> Chief Social Work Officer (Full Year Equivalent £88,965)	20 Dec 2021	March 2022	25,465	25,465	-
<b>James Miller</b> Chief Planning Officer	April 2021	March 2022	67,535	67,535	55,638
<b>Mark Boyd</b> Section 95 Officer	April 2021	March 2022	94,415	94,415	93,415
<b>Total</b>			<b>920,669</b>	<b>920,669</b>	<b>811,977</b>

Note: Total remuneration consists of salaries and allowances only.



## Pension Benefits

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

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

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

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

The tiers and member contribution rates for 2020/21 and 2021/22 are shown in Table 3.

Table 3: Tier and Member Contribution Rates

Whole time pay bandings 2020/21	Employee Contribution rate	Whole time pay bandings 2021/22
On earnings up to and including £22,200	5.50%	On earnings up to and including £22,300
On earnings above £22,201 and up to £27,100	7.25%	On earnings above £22,301 and up to £27,300
On earnings above £27,101 and up to £37,200	8.50%	On earnings above £27,301 and up to £37,400
On earnings above £37,201 and up to £49,600	9.50%	On earnings above £37,401 and up to £49,900
On earnings above £49,601	12.00%	On earnings above £49,901

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



Table 4: Employee Benefit Calculation Rates

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

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

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

The pension entitlements for Senior Councillors for the year to 31 March 2022 are shown in Table 5, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Table 5: Pension Benefits of Senior Councillors

Name	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2022	For year to 31 March 2021	As at 31 March 2022		Difference from 31 March 2021	
			Pension £	Lump Sum £	Pension £	Lump Sum £
Alex Gallagher	2,057	4,308	8,603	1,626	3,395	117
Christina Larsen	3,700	-	1,822	-	399	-
Ian Clarkson	5,387	5,169	6,767	1,777	859	158
James Montgomerie	4,489	4,308	4,559	-	734	-
Joe Cullinane	7,182	6,893	6,099	-	896	-
John Bell	5,387	5,169	7,087	2,006	1,093	294
Louise McPhater	4,489	4,308	2,577	-	485	-
Robert Barr	4,489	4,308	4,586	-	690	-
Robert Foster	4,489	4,308	2,256	-	483	-
Ronnie McNicol	4,489	4,308	6,164	1,209	895	160
	46,158	43,079				

Councillor Burns and Councillor Marshall are not members of the pension scheme. Councillor Gallagher is no longer a member of the pension scheme from 15 September 2021.

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

Pension entitlements for senior employees for the year to 31 March 2022 are shown below in Table 6, together with the contribution made by the Council to each senior employee's pension during the year.



Table 6: Pension Benefits of Senior Employees of the Council

Name and Post Title	In-year pension contributions		Accrued pension benefits			
	For year to 31 March 2022	For year to 31 March 2021	As at 31 March 2022		Difference from 31 March 2021	
			Pension £	Lump Sum £	Pension £	Lump Sum £
<b>Craig Hatton</b> Chief Executive	29,227	27,706	91,001	-	3,429	-
<b>Audrey Sutton</b> Executive Director, Communities	22,410	22,217	40,793	45,421	2,612	314
<b>Caroline Amos</b> Acting Executive Director, Communities	20,058	-	12,403	-	2,121	-
<b>Karen Yeomans</b> Director, Growth & Investment	22,410	22,217	21,777	-	2,477	-
<b>Russell McCutcheon</b> Executive Director, Place	22,410	22,217	59,491	101,036	2,741	698
<b>Andrew Fraser</b> Monitoring Officer	8,166	18,029	51,278	89,112	904	-
<b>Aileen Craig</b> Monitoring Officer	15,663	-	27,584	30,081	6,524	9,130
<b>David MacRitchie</b> Chief Social Work Officer	3,894	14,540	45,328	87,012	847	965
<b>Elizabeth Stewart</b> Chief Social Work Officer	12,809	-	20,083	14,625	1,923	1,437
<b>Scott Hunter</b> Chief Social Work Officer	4,915	-	536	-	536	-
<b>James Miller</b> Chief Planning Officer	13,034	12,717	41,335	77,063	1,711	711
<b>Mark Boyd</b> Section 95 Officer	18,222	18,029	30,631	29,813	2,138	253
<b>Total</b>	<b>193,218</b>	<b>157,672</b>				

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



## Remuneration paid to Councillors

Salaries, allowances and expenses paid to all Councillors within North Ayrshire Council (including the Senior Councillors previously listed) during the year are shown in Table 7. There were no non-cash expenses or benefits in kind paid during 2021-22.

Table 7: Total Remuneration Paid to Councillors

Type of Remuneration	2021/22 £	2020/21 £
Salaries	685,183	663,902
Expenses	5,018	4,870
<b>Total</b>	<b>690,201</b>	<b>668,772</b>

The annual return of Councillors' salaries and expenses for 2021/22 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

<https://north-ayrshire.cmis.uk.com/north-ayrshire/Councillors/MembersExpensesAllowances.aspx>

## General Disclosure by Pay Bands

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50,000 or above. Remuneration consists of all payments made to individuals, including salaries (including arrears of pay), expenses and any payments made to an individual in respect of termination costs. Table 8 provides this information in bands of £5,000.

Table 8: General Disclosure by Pay Bands

Remuneration Bands	Number of Teachers		Number of Other Council Staff	
	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021
£50,000-£54,999	88	95	58	34
£55,000-£59,999	60	57	11	8
£60,000-£64,999	40	38	25	30
£65,000-£69,999	11	15	15	11
£70,000-£74,999	4	3	7	2
£75,000-£79,999	6	5	1	1
£80,000-£84,999	2	2	2	2
£85,000-£89,999	-	3	8	5
£90,000-£94,999	1	3	1	2
£95,000-£99,999	1	-	-	-
£100,000-£104,999	1	-	1	-
£105,000-£109,999	-	2	-	-
£110,000-£114,999	-	-	-	-
£115,000-£119,999	-	-	3	4
£120,000-£144,999	-	-	1	1
<b>Total</b>	<b>214</b>	<b>223</b>	<b>133</b>	<b>100</b>



## Exit Packages

The Council has set aside funding to support a voluntary early release scheme for employees as part of the agreed savings package and to facilitate service redesign. As a result, a number of staff left the Council during 2021/22, either through the voluntary early release scheme or voluntary redundancy. There were no compulsory redundancies.

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

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded - maximum three years); and

The figures include employees who have committed to leave during 2021/22, although their actual leaving date may be later than 31 March 2022.

Table 9: Exit Packages

Band	2021/22		2020/21	
	Number of Employees	Value £	Number of Employees	Value £
£0-£20,000	8	119,364	6	58,062
£20,001-£40,000	9	269,739	2	47,020
£40,001-£60,000	3	146,684	3	163,914
£60,001-£80,000	5	345,209	1	60,326
£80,001-£100,000	5	501,220	2	231,804
£100,001+	-	-	-	-
	<b>30</b>	<b>1,382,216</b>	<b>14</b>	<b>561,126</b>

## Facility Time Statement

Under the Trade Union (Facility Time Publication Requirements) Regulation 2017, the Council is required to collect and publish data in relation to its usage and spend of trade union facility time in respect of employees who are trade union representatives. Facility time is time off from an employee's job, granted by the Council, to enable the employee to carry out their trade union role.

For the reporting year 2021/22, 135 employees (2020/21: 129) were relevant trade union officials and 33 of these employees (2020/21: 53) spent a proportion of their working hours on facility time:

Number of Employees who were relevant union official during the relevant period	Full-time equivalent (FTE) employee number
135	126.51
Percentage of Time	Number of Employees (Headcount)
0%	102
1% - 50%	30
51% - 99%	1
100%	2

The percentage of the total paybill spent on facility time was 0.07% (2020/21: 0.06%).



Total Pay Bill spent on Facility Time	
Total cost of Facility Time	£186,372
Total Pay Bill	£266,274,386
Percentage of Total Pay bill spent on Facility Time	0.07%

For those employees who were trade union officials, the time spent on paid trades union activities as percentage of their total paid facility time hours was 1.7% (2020/21: 1.2%).

Time spent on Trade Union Activities	
Time spent on Trade Union Activities as a percentage of Total paid Facility Time hours	1.7%

The Trade Union Facility Time Statement for 2021/22 is available for any member of the public to view on the Council's website at:

<https://www.north-ayrshire.gov.uk/council/council-information/workforce-facts.aspx>



Craig Hatton  
Chief Executive  
15 November 2022

Councillor Marie Burns  
Leader of the Council  
15 November 2022



# Annual Governance Statement

## Scope of Responsibility

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

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

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

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

## The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

## The Governance Framework

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

Core Principles	Sub-Principles
A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.	<ul style="list-style-type: none"><li>• Behaving with integrity</li><li>• Demonstrating strong commitment to ethical values</li><li>• Respecting the rule of law</li></ul>
B. Ensuring openness and comprehensive stakeholder engagement.	<ul style="list-style-type: none"><li>• Openness</li><li>• Engaging comprehensively with institutional stakeholders</li><li>• Engaging with individual citizens and service users effectively</li></ul>
C. Defining outcomes in terms of sustainable economic, social and environmental benefits.	<ul style="list-style-type: none"><li>• Defining outcomes</li><li>• Sustainable economic, social and environmental benefits</li></ul>
D. Determining the interventions necessary to optimise the achievement of the intended outcomes.	<ul style="list-style-type: none"><li>• Determining interventions</li><li>• Planning interventions</li><li>• Optimising achievement of intended outcomes</li></ul>



Core Principles	Sub-Principles
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.	<ul style="list-style-type: none"><li>Developing the entity's capacity</li><li>Developing the capability of the entity's leadership and other individuals</li></ul>
F. Managing risks and performance through robust internal control and strong public financial management.	<ul style="list-style-type: none"><li>Managing risk</li><li>Managing performance</li><li>Robust internal control</li><li>Managing data</li><li>Strong public financial management</li></ul>
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.	<ul style="list-style-type: none"><li>Implementing good practice in transparency</li><li>Implementing good practices in reporting</li><li>Assurance and effective accountability</li></ul>

The Code of Corporate Governance Statement 2021/22 was approved by the Audit and Scrutiny Committee on 19 January 2022. It aligns to the framework and demonstrates how the Council is ensuring good governance and transparent accountability.

The key features of the governance framework that was in place during 2021/22 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by an opposition member, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. A 'Policy Advisory Panel' consisting of all elected members assisted in the preparation of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice.
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The Council, together with NHS Ayrshire and Arran, established an integrated Health and Social Care Partnership (HSCP), which has been in place since April 2015. The HSCP has established a governance framework and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission, vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators. Regular interim reports are provided on progress towards meeting the Council Plan priorities.
- A 'People Strategy' entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy 2021-24 focuses firmly on embedding a performance management culture throughout the Council. Regular reporting to Elected Members takes place and a wide range of performance information is available on the North Ayrshire Performance Dashboard.
- The Council has adopted a 'Code of Conduct' for all its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place.
- The approach to risk management is set out in the Risk Management Strategy: "Risk Focus". The Council's strategic risk register is refreshed annually and for 2021/22 was approved by Cabinet in February 2021. A mid-year update was provided to the Audit and Scrutiny Committee in November 2021.
- Each Head of Service has a Workforce Plan in place for their portfolio of services which considers challenges and issues, the transformation agenda and to support career development and succession planning.



- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for strategic leaders and first line and middle managers across the Council, through the Leadership Academy approach. A full Member's induction programme took place during May 2022 for all recently elected Members.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to the team, their wellbeing and any development needs that contribute towards meeting the team's objectives or the employee's career aspirations.
- The ICT Asset Management Approach 2021-2024 supersedes the previous 2018-2021 plan. The approach is linked to the ICT Technology Strategy and depicts the impact on hardware, software and application assets. The Council's approach to asset management planning is based on CIPFA guidance which covers six core classes of assets: property, open space, housing, roads, fleet, and ICT.
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which covers the period 2021/22 to 2030/31. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services. A corporate training module is in place to support ongoing training, development and awareness.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2022.

## The System of Internal Financial Control

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

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Chief Financial Officer in Local Government (2016)'.

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



## Review of Effectiveness of the Governance Framework

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

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Insurance) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its strategic audit plan and complies with the Public Sector Internal Audit Standards (PSIAS) in conducting its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2021/22.

As detailed in the 'Internal Audit Charter' that has been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety and Insurance) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks. This was reported to the Audit and Scrutiny Committee on 31 May 2022.

The Internal Audit Annual Report 2021/22 highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Audit, Fraud, Safety and Insurance) that the Council's systems of internal control continue to provide reasonable assurance against loss.

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

## Significant Governance Developments during 2021/22

A Best Value Audit Review was conducted by Audit Scotland and Deloitte LLP in January and February 2020. The report was presented to the Accounts Commission in June 2020 and to the meeting of North Ayrshire Council in September 2020. The report was extremely positive and provided significant assurance that the Council complies with its statutory duty to secure Best Value. In March 2022, progress against the best value audit recommendations was reported to the meetings of both North Ayrshire Council and the Audit and Scrutiny Committee. The reports identify that the four recommended actions are now complete.

A management restructure was carried out in the Place Directorate in December 2021 to better align the Council's structure to support the delivery of key transformational change in the areas of Land and Property and sustainability and climate change, as set out in the Council's ambitious Environmental Sustainability and Climate Change Strategy 2021-2023.

Children's Services Planning includes the Children's Rights Report and the Child Poverty Action Plan, all of which have been redeveloped for the three years 2020-23.

A Long-term Financial Outlook (covering the period 2021/22 to 2030/31) was approved by the Council in December 2020. This is underpinned by a Medium-term Financial Outlook which is updated annually. The most recent medium-term financial outlook, covering 2022/23-2024/25, was approved by the Council in February 2022. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The Revenue Estimates 2022/23-2024/25 and Capital Investment Programme 2022/23-2030/31 were approved by Council in March 2022.



To ensure ongoing compliance with Sections 193 and 194 of the Local Government (Scotland) Act 1973, the Council appointed the incoming Head of Democratic Services as its Proper Officer following the retirement of the previous postholder. The Head of Democratic Services was also appointed as the Council's Monitoring Officer in terms of Section 5 of the Local Government and Housing Act 1989. These appointments were effective from 19 July 2021.

In terms of Section 3 of the Social Work (Scotland) Act 1968, and following the retirement of the previous postholder, a new Chief Social Work Officer was appointed for the Council effective from 22 December 2021.

The Audit and Scrutiny Committee carried out a self-evaluation in August 2021, using best practice frameworks and a toolkit prepared by officers to facilitate the process. The actions arising from the first self-evaluation in August 2019 were found to have been implemented. A small number of improvement actions were identified during the 2021 process, which will now be conducted on an annual basis.

The Growth and Investment Team was established within North Ayrshire Council in 2019 as part of an organisational restructure to maximise the potential of major programmes of investments in North Ayrshire, including capital projects funded through the Ayrshire Growth Deal. A Growth and Investment Governance Framework was approved by the Audit and Scrutiny Committee in June 2021. The framework sets out the arrangements to support internal programme and project management procedures, and to provide robust and effective programme and project delivery mechanisms. As part of the annual monitoring of progress in delivering the Ayrshire Growth Deal, the process will also consider any issues arising which may give rise to a need to update the governance arrangements.

Extensive work took place with locality planning partnerships in 2021/22 to refresh locality partnership priorities. This led to the five mainland locality partnerships agreeing their ongoing priorities. Work on the refresh of the Arran locality priorities is ongoing as this will consider the development of the Island Plan approved by Cabinet in February 2022.

A Community Learning and Development Plan for 2021-2024 was approved by Cabinet in September 2021. The plan sets out the governance arrangements to ensure the voices, needs and aspirations of communities informs the operational delivery and targeting of resources. The plan fits within the landscape of Community and Locality Planning and in acknowledgement of these interdependencies the governance arrangements include reporting to Community Planning and Locality Partnerships.

Under the Equalities Act 2010 and the Specific Duties (Scotland) Regulations 2012, the Council has a duty to produce Equality Outcomes at least every four years. As part of the Council's four-year review of outcomes, Cabinet approved the Equality Outcomes for 2021-2025.

In November 2021, Cabinet approved the Council's response to "A National Care Service for Scotland – Consultation". The consultation followed on from a Scottish Government commissioned Independent Review of Adult Social Care (IRASC) which proposed the creation of a national care service (NCS) for Scotland. The Council's consultation response was provided to the Scottish Government on 2 November 2021 following engagement with Elected Members.

## Covid-19 Governance Arrangements

Council Committees continued to meet virtually throughout 2021/22. To ensure full public transparency remained in place during this period, meetings were either broadcast live or recorded and uploaded to allow the public to view proceedings while Covid-19 restrictions prevented physical meetings with public attendance.

Throughout the pandemic the Emergency Management Team (EMT), chaired by the Chief Executive, and attended by Executive Directors and Heads of Service, continued to meet. The Leader of the Council attended these meetings as an observer. The frequency of meetings reflected the needs of Council services and partner organisations at various stages and pressure points during the pandemic.



## Planned Actions for 2022/23

The Council has a number of planned actions for 2022/23 which will help to further strengthen the governance framework:

- Progress the workstreams in the new Sustainable Change Programme for 2022/23 and monitor and govern progress through the Transformation Board, chaired by the Chief Executive.
- Developing and implementing processes and software which will enable 'hybrid' Committee meetings to be held utilising both physical and remote attendance.
- With the local Council elections on 5 May 2022, formation of the new Council and elected members. This will include a review of Council committee structures and elected member representation.
- Formation of a Vacancy Scrutiny Panel including the Executive Directors of Place and Communities and the Head of Finance and Head of People and ICT. The main purpose is to strengthen current workforce planning arrangements.

## Conclusion

Subject to the above, and based on the assurances provided, we consider the governance and internal control environment operating during 2021/22 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.



Craig Hatton  
Chief Executive  
15 November 2022

Councillor Marie Burns  
Leader of the Council  
15 November 2022



## Independent Auditor's Report

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

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

##### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of North Ayrshire Council and its group for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Common Good Funds and Trusts, the Non-domestic Rate Account, the Council Tax Account and, notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 6 years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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



## Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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

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

In preparing the financial statements, the Head of Finance is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The North Ayrshire Council is responsible for overseeing the financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Extent to which the audit was considered capable of detecting irregularities, including fraud

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

- considering the nature of the council's control environment and reviewing the council's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003 and the Public Bodies (Joint Working) Scotland Act 2014.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.



We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the recognition of COVID-19 related income. The risks are that the COVID-19 related income is incorrectly recorded where grant conditions exist and has not been correctly assessed and disclosed as either a principal or agency relationship. In response to this risk, we tested a sample of COVID-19 funding to confirm that it has been recognised in accordance with any conditions applicable. In addition, we have tested the agency arrangement disclosures to confirm that they have been correctly assessed and disclosed.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and internal legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

### Reporting on other requirements

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

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

#### Other information

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

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



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

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

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

the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

**Matters on which we are required to report by exception**

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

adequate accounting records have not been kept; or

the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or

we have not received all the information and explanations we require for our audit; or

there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of our report**

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

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)  
110 Queen Street  
Glasgow  
G1 3BX  
United Kingdom

15 November 2022



## Core Financial Statements

### Comprehensive Income and Expenditure Statement

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

The 2020/21 figures have been restated to reflect current year changes to the internal reporting structure. This has resulted in the reclassification of £2.2m of net expenditure between Chief Executives and Other Corporate Items, including £39.4m of Gross Income and £41.8m of Gross Expenditure. There is no change in the Net Cost of Services reported for the year.

	Notes	North Ayrshire Council 2021/22			Group 2021/22	North Ayrshire Council 2020/21 (Restated)			Group 2020/21
		Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m	Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m
Chief Executive		29.024	(2.893)	26.131	26.131	27.704	(3.617)	24.087	24.087
Communities		163.892	(28.390)	135.502	135.610	155.559	(27.524)	128.035	128.019
Place		146.033	(34.905)	111.128	111.128	136.736	(31.417)	105.319	105.319
Health and Social Care Partnership		275.208	(157.371)	117.837	117.837	250.149	(145.338)	104.811	104.811
Other Corporate Items		46.766	(38.406)	8.360	8.360	47.767	(41.417)	6.350	6.350
<b>Cost Of General Fund Services</b>		<b>660.923</b>	<b>(261.965)</b>	<b>398.958</b>	<b>399.066</b>	<b>617.915</b>	<b>(249.313)</b>	<b>368.602</b>	<b>368.586</b>
Housing Revenue Account		42.122	(51.643)	(9.521)	(9.521)	41.459	(50.531)	(9.072)	(9.072)
<b>Net Cost of Services</b>		<b>703.045</b>	<b>(313.608)</b>	<b>389.437</b>	<b>389.545</b>	<b>659.374</b>	<b>(299.844)</b>	<b>359.530</b>	<b>359.514</b>
Associates and joint ventures accounted for on an equity basis		-	-	-	(10.473)	-	-	-	(5.525)
Other Operating Expenditure and Income	4	-	(0.006)	(0.006)	(0.006)	0.001	-	0.001	0.001
Financing and Investment Income and Expenditure	3	45.897	(23.127)	22.770	22.767	44.046	(21.677)	22.369	22.366
Taxation and Non-Specific Grant Income	7	-	(399.234)	(399.234)	(399.234)	-	(413.966)	(413.966)	(413.966)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>748.942</b>	<b>(735.975)</b>	<b>12.967</b>	<b>2.599</b>	<b>703.421</b>	<b>(735.487)</b>	<b>(32.066)</b>	<b>(37.610)</b>
(Surplus) / Deficit on revaluation of fixed assets	30			(12.781)	(12.851)			(52.264)	(52.315)
Actuarial (gains)/losses on pension assets/liabilities	30			(167.150)	(167.150)			37.620	37.620
Share of other comprehensive expenditure and income of associates and joint ventures				-	(6.243)			-	0.440
<b>Other Comprehensive Income and Expenditure</b>				<b>(179.931)</b>	<b>(186.244)</b>			<b>(14.644)</b>	<b>(14.255)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(166.964)</b>	<b>(183.645)</b>			<b>(46.710)</b>	<b>(51.865)</b>



## Movement in Reserves Statement

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

The Statement shows how the movements of the Council's reserves in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to Council Tax or rents for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year, following those adjustments.

	Notes	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's Share of Group Entity Reserves	Total Group Reserves
		£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April 2020</b>		<b>34.582</b>	<b>10.898</b>	<b>7.732</b>	<b>53.212</b>	<b>454.949</b>	<b>508.161</b>	<b>37.237</b>	<b>545.398</b>
Total Comprehensive Expenditure and Income		11.077	20.989	-	<b>32.066</b>	14.644	<b>46.710</b>	5.155	<b>51.865</b>
<i>Adjustments between accounting basis and funding basis under regulations</i>	10	20.564	(17.666)	(1.411)	<b>1.487</b>	(1.487)	-	-	-
<b>Net increase/(decrease) before transfers to other statutory reserves</b>		<b>31.641</b>	<b>3.323</b>	<b>(1.411)</b>	<b>33.553</b>	<b>13.157</b>	<b>46.710</b>	5.155	<b>51.865</b>
Transfers to/(from) other statutory reserves		(0.179)	-	0.179	-	-	-	-	-
<b>Net Increase/(Decrease)</b>	10	<b>31.462</b>	<b>3.323</b>	<b>(1.232)</b>	<b>33.553</b>	<b>13.157</b>	<b>46.710</b>	5.155	<b>51.865</b>
<b>Balance at 31 March 2021</b>	11, 30	<b>66.044</b>	<b>14.221</b>	<b>6.500</b>	<b>86.765</b>	<b>468.106</b>	<b>554.871</b>	<b>42.392</b>	<b>597.263</b>
Total Comprehensive Expenditure and Income		(22.946)	9.979	-	<b>(12.967)</b>	179.931	<b>166.964</b>	16.681	<b>183.645</b>
<i>Adjustments between accounting basis and funding basis under regulations</i>	10	49.188	(8.584)	(1.161)	<b>39.443</b>	(39.443)	-	-	-
<b>Net increase/(decrease) before transfers to other statutory reserves</b>		<b>26.242</b>	<b>1.395</b>	<b>(1.161)</b>	<b>26.476</b>	<b>140.488</b>	<b>166.964</b>	16.681	<b>183.645</b>
Transfers to/(from) other statutory reserves		(6.388)	-	6.388	-	-	-	-	-
<b>Net Increase/(Decrease)</b>	10	<b>19.854</b>	<b>1.395</b>	<b>5.227</b>	<b>26.476</b>	<b>140.488</b>	<b>166.964</b>	16.681	<b>183.645</b>
<b>Balance at 31 March 2022</b>	11, 30	<b>85.898</b>	<b>15.616</b>	<b>11.727</b>	<b>113.241</b>	<b>608.594</b>	<b>721.835</b>	<b>59.073</b>	<b>780.908</b>



## Balance Sheet

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

Reserves are reported as either Usable Reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, or Unusable Reserves, those reserves that the Council is not able to use to provide services including those reserves that hold unrealised gains or losses, where amounts would only become available to provide services if the assets are sold, and reserves that hold differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	As at 31 March 2022 £m	Group 31 March 2022 £m	As at 31 March 2021 £m	Group 31 March 2021 £m
Property, Plant & Equipment	12	1,138.988	1,143.085	1,095.421	1,099.448
Heritage Assets	15	1.058	1.058	1.327	1.327
Intangible Assets	16	0.186	0.186	0.265	0.265
Assets Held for Sale	14	0.375	0.375	1.002	1.002
Long Term Investments	38	-	0.154	-	0.154
Investment in Associates and Joint Ventures	38	-	46.555	-	31.413
Long Term Debtors	19	0.104	0.104	0.439	0.147
<b>Long Term Assets</b>		<b>1,140.711</b>	<b>1,191.517</b>	<b>1,098.454</b>	<b>1,133.756</b>
Inventories	20	2.166	2.166	1.451	1.451
Short Term Investments	26	16.002	16.002	10.025	10.025
Short Term Debtors	21	73.417	73.167	53.491	53.536
Cash and Cash Equivalents	37	25.836	25.836	29.912	29.912
<b>Current Assets</b>		<b>117.421</b>	<b>117.171</b>	<b>94.879</b>	<b>94.924</b>
Short Term Borrowing	23	(84.164)	(84.164)	(52.661)	(52.661)
Short Term Creditors	24	(110.870)	(102.353)	(91.502)	(82.870)
Short Term Provisions	25	(1.217)	(1.217)	(1.322)	(1.322)
<b>Current Liabilities</b>		<b>(196.251)</b>	<b>(187.734)</b>	<b>(145.485)</b>	<b>(136.853)</b>
Long Term Borrowing	26	(182.457)	(182.457)	(208.417)	(208.417)
Long Term Creditors	26	(100.139)	(100.139)	(103.983)	(103.983)
Other Long Term Liabilities	29	(57.450)	(57.450)	(180.577)	(180.577)
Liabilities in Associates and Joint Ventures	38	-	-	-	(1.587)
<b>Long Term Liabilities</b>		<b>(340.046)</b>	<b>(340.046)</b>	<b>(492.977)</b>	<b>(494.564)</b>
<b>Net Assets</b>		<b>721.835</b>	<b>780.908</b>	<b>554.871</b>	<b>597.263</b>
Usable Reserves	11	113.241	113.241	86.765	86.765
Unusable Reserves	30	608.594	608.594	468.106	468.106
Group Reserves	38	-	59.073	-	42.392
<b>Total Reserves</b>		<b>721.835</b>	<b>780.908</b>	<b>554.871</b>	<b>597.263</b>

The unaudited accounts were issued on 22 June 2022 and the audited accounts were authorised for issue on 15 November 2022



Mark Boyd  
Head of Finance  
15 November 2022



## Cash Flow Statement

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

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

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

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

	Notes	NAC 2021/22 £m	Group 2021/22 £m	NAC 2020/21 £m	Group 2020/21 £m
Net (surplus)/deficit on the provision of services		12.967	2.599	(32.066)	(37.610)
Adjust net (surplus)/deficit on the provision of services for non-cash movements	34	(102.870)	(92.502)	(89.478)	(83.934)
Adjust for items included in the net deficit on the provision of services that are investing and financing activities	34	34.636	34.636	50.337	50.337
<b>Net cash flows from Operating Activities</b>		<b>(55.267)</b>	<b>(55.267)</b>	<b>(71.207)</b>	<b>(71.207)</b>
Investing Activities	35	61.061	61.061	13.543	13.543
Financing Activities	36	(1.718)	(1.718)	33.529	33.529
<b>Net (increase) or decrease in Cash and Cash Equivalents</b>		<b>4.076</b>	<b>4.076</b>	<b>(24.135)</b>	<b>(24.135)</b>
Cash and Cash Equivalents at the beginning of the reporting period		(29.912)	(29.912)	(5.777)	(5.777)
<b>Cash and Cash Equivalents at the end of the reporting period</b>	37	<b>(25.836)</b>	<b>(25.836)</b>	<b>(29.912)</b>	<b>(29.912)</b>



## Supplementary Statements

### Housing Revenue Account

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

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

	2021/22 £m	2020/21 £m
<b>Income</b>		
Dwelling Rents	(50.598)	(49.657)
Non-dwelling Rents	(0.299)	(0.282)
Other Income	(0.500)	(0.397)
<b>Total Income</b>	<b>(51.397)</b>	<b>(50.336)</b>
<b>Expenditure</b>		
Repairs and Maintenance	18.031	16.027
Supervision and Management	10.679	9.219
Depreciation and Impairment on Non-Current Assets	19.216	15.046
Bad Debts and movement in Bad Debt Provision	0.325	0.829
Rent, Rates, Taxes and Other Charges	0.012	0.038
Sums directed by Scottish Government Ministers that are expenditure in accordance with IFRS	(0.022)	0.105
<b>Total Expenditure</b>	<b>48.241</b>	<b>41.264</b>
<b>Net Income of Services as included in the CIES</b>	<b>(3.156)</b>	<b>(9.072)</b>
Corporate & Democratic Core	0.131	0.137
<b>Net Income for HRA Services</b>	<b>(3.025)</b>	<b>(8.935)</b>
Taxation and Non-Specific Grant Income and Expenditure	(12.105)	(17.020)
(Gain)/Loss on Sale of HRA Non-Current Assets	(0.004)	(0.014)
Interest Payable and Similar Charges	5.060	4.924
Interest and Investment Income	(0.017)	(0.035)
Pension Interest Cost and Expected Return on Pension Assets	0.112	0.091
<b>Surplus for the Year on HRA Services</b>	<b>(9.979)</b>	<b>(20.989)</b>



## Movement on the Housing Revenue Account Statement

	2021/22 £m	2020/21 £m
Surplus for the Year on HRA Income and Expenditure Statement	(9.979)	(20.989)
Adjustments between Accounting Basis and Funding Basis under statute	8.584	17.666
<b>Reduction in Year on the HRA</b>	<b>(1.395)</b>	<b>(3.323)</b>
Balance on the HRA at 1 April 2021	(14.221)	(10.898)
<b>Balance on the HRA at 31 March 2022</b>	<b>(15.616)</b>	<b>(14.221)</b>

## Housing Stock

The Council's total housing stock at 31 March 2022 was 13,135 (12,888 at 31 March 2021) in the following categories:



## Statutory Adjustments between Accounting Basis and Funding Basis

	2021/22 £m	2020/21 £m
Gain / (Loss) on sale of HRA non-current assets	0.004	0.014
Capital expenditure funded by the HRA	12.144	12.252
Transfer (to)/from the Capital Adjustment Account:		
Depreciation and Impairment	(19.216)	(15.046)
Repayment of Debt	4.445	3.832
Capital grants and contributions that have been applied to capital financing	12.105	17.020
HRA share of contributions to the Pensions Reserve	(1.286)	(0.651)
HRA share of transfer to the Financial Instruments Adjustment Account	0.341	0.324
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	0.047	(0.079)
<b>Total Adjustments between Accounting Basis and Funding Basis under statute</b>	<b>8.584</b>	<b>17.666</b>

## Other Information

	2021/22	2020/21
Average weekly rent (52 weeks)	£75.86	£74.45
Bad debts written off in respect of former tenants	£0.223m	£0.221m
Total Rent Arrears	£4.427m	£3.957m
Bad Debt Provision - housing rents	£2.111m	£1.844m
Bad Debt Provision - other debtors	£0.891m	£0.789m
Void Rent Loss	£0.262m	£0.252m



## Common Good and Trusts

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

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

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

None of the Common Good Funds are registered charities.

Movement in Reserves Statement	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
<b>Balance at 1 April 2021</b>	<b>0.560</b>	<b>2.440</b>	<b>0.698</b>	<b>0.159</b>	<b>0.017</b>	<b>0.253</b>	<b>4.127</b>
Surplus/(Deficit) For the Year	0.025	-	(0.007)	-	(0.001)	0.001	<b>0.018</b>
Surplus on the Disposal of Assets	-	-	-	-	-	-	-
Surplus/(Deficit) on the Revaluation of Fixed Assets	-	-	0.002	(0.092)	-	-	<b>(0.090)</b>
<b>Balance at 31 March 2022</b>	<b>0.585</b>	<b>2.440</b>	<b>0.693</b>	<b>0.067</b>	<b>0.016</b>	<b>0.254</b>	<b>4.055</b>

Income and Expenditure Account	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Income	(0.039)	(0.061)	(0.015)	-	-	(0.014)	<b>(0.129)</b>
Expenditure	0.014	0.061	0.022	-	0.001	0.013	<b>0.111</b>
<b>(Surplus)/Deficit For the Year</b>	<b>(0.025)</b>	<b>-</b>	<b>0.007</b>	<b>-</b>	<b>0.001</b>	<b>(0.001)</b>	<b>(0.018)</b>
Capital Receipts	-	-	-	-	-	-	-
<b>Surplus Brought Forward</b>	<b>(0.280)</b>	<b>(1.102)</b>	<b>(0.443)</b>	<b>(0.067)</b>	<b>(0.017)</b>	<b>(0.173)</b>	<b>(2.082)</b>
<b>Accumulated Surplus as at 31 March 2022</b>	<b>(0.305)</b>	<b>(1.102)</b>	<b>(0.436)</b>	<b>(0.067)</b>	<b>(0.016)</b>	<b>(0.174)</b>	<b>(2.100)</b>

Balance Sheet at 31 March 2022	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Investment Properties	0.280	1.338	0.257	-	-	0.080	<b>1.955</b>
Cash invested in NAC on behalf of the funds	0.305	1.102	0.436	0.067	0.016	0.174	<b>2.100</b>
	<b>0.585</b>	<b>2.440</b>	<b>0.693</b>	<b>0.067</b>	<b>0.016</b>	<b>0.254</b>	<b>4.055</b>
Capital Adjustments Account	-	(1.025)	(0.093)	-	-	(0.066)	<b>(1.184)</b>
Revaluation Reserve	(0.280)	(0.313)	(0.164)	-	-	(0.014)	<b>(0.771)</b>
Common Good Balance	(0.305)	(1.102)	(0.436)	(0.067)	(0.016)	(0.174)	<b>(2.100)</b>
	<b>(0.585)</b>	<b>(2.440)</b>	<b>(0.693)</b>	<b>(0.067)</b>	<b>(0.016)</b>	<b>(0.254)</b>	<b>(4.055)</b>



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

Income and Expenditure Account	North Ayrshire Charitable Trust £m	Town Trusts £m	Douglas Sellers Trust £m	Anderson Park Trust £m	Margaret Archibald Trust £m	Other Bequests £m	Total £m
<b>Surplus at 1 April 2021</b>	<b>(0.091)</b>	<b>(0.049)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.188)</b>	<b>(0.042)</b>	<b>(0.372)</b>
Income	(0.005)	-	-	-	(0.011)	-	(0.016)
Expenditure	0.001	0.004	-	-	0.007	-	0.012
<b>(Surplus) / Deficit at 31 March 2022</b>	<b>(0.004)</b>	<b>0.004</b>	<b>-</b>	<b>-</b>	<b>(0.004)</b>	<b>-</b>	<b>(0.004)</b>
<b>Accumulated (surplus) / deficit at 31 March 2022</b>	<b>(0.095)</b>	<b>(0.045)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.192)</b>	<b>(0.042)</b>	<b>(0.376)</b>

Balance Sheet at 31 March 2022	North Ayrshire Charitable Trust £m	Town Trusts £m	Douglas Sellers Trust £m	Anderson Park Trust £m	Margaret Archibald Trust £m	Other Bequests £m	Total £m
Investment Properties	0.145	-	-	-	-	-	0.145
Investments	0.013	-	-	-	0.140	0.001	0.154
Cash invested in NAC on behalf of the Funds	0.082	0.045	0.001	0.001	0.052	0.041	0.222
	<b>0.240</b>	<b>0.045</b>	<b>0.001</b>	<b>0.001</b>	<b>0.192</b>	<b>0.042</b>	<b>0.521</b>
Capital Adjustments Account	(0.026)	-	-	-	-	-	(0.026)
Revaluation Reserve	(0.119)	-	-	-	-	-	(0.119)
Trust Fund Balance	(0.095)	(0.045)	(0.001)	(0.001)	(0.192)	(0.042)	(0.376)
	<b>(0.240)</b>	<b>(0.045)</b>	<b>(0.001)</b>	<b>(0.001)</b>	<b>(0.192)</b>	<b>(0.042)</b>	<b>(0.521)</b>

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



## Non-Domestic Rates Account

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

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

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

	2021/22 £m	2020/21 £m
Gross rates levied	56.322	57.612
Less:		
Reliefs and other deductions	(22.228)	(29.408)
Write-offs of Uncollectable debts and allowance for impairment	(0.497)	(0.458)
<b>Net Non-Domestic Rate Income</b>	<b>33.597</b>	<b>27.746</b>
Adjustment for years prior to the introduction of the pool	(3.091)	(2.310)
Net contribution (to) / from National Non-Domestic Rate pool	(1.986)	(0.419)
<b>Net NDR Income transferred to General Fund</b>	<b>28.520</b>	<b>25.017</b>

## Net Rateable Value Calculation

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

The NNDR poundage rate set by the Scottish Government for 2021/22 was 51.6p for subjects with a rateable value more than £95,000, 50.3p for subjects with a rateable value of more than £51,000 but equal to or less than £95,000 and 49.0p for subjects with a rateable value equal to or less than £51,000.

North Ayrshire Council Rateable Values at 1 April 2021	£m
Commercial	75.797
Industrial and Freight Transport	31.740
Public Undertakings	4.156
Others	1.687
Less: Part Residential and Fishing Rights rateable values not billed for	(0.143)
<b>Total</b>	<b>113.237</b>

Analysis of Rateable Values	2021/22 £m
Rateable Value at 1 April 2021	113.237
Adjustments (Full Year Rateable Value)	(0.556)
<b>Rateable Value at 31 March 2022</b>	<b>112.681</b>
Less: Wholly Exempt Subjects	(1.075)
<b>Net Rateable Value at 31 March 2022</b>	<b>111.606</b>



## Council Tax Account

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

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

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

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

	2021/22 £m	2020/21 £m
Gross Council Tax levied and contributions in lieu	85.680	85.052
Adjustment for prior years Council Tax	0.347	(0.677)
	<b>86.027</b>	<b>84.375</b>
Adjusted for:		
Council Tax Reduction	(12.297)	(12.877)
Other discounts and reductions	(11.330)	(11.069)
Provision for Non-collection	(2.513)	(3.094)
	<b>(26.140)</b>	<b>(27.040)</b>
<b>Net Council Tax Income transferred to General Fund</b>	<b>59.887</b>	<b>57.335</b>

## North Ayrshire Council Tax per Band

Based on the Council Tax base available to North Ayrshire Council, the band D charge for 2021/22 was £1,342.69.

2021/22 £	Band	2020/21 £
895.12	A	895.12
1,044.31	B	1,044.31
1,193.49	C	1,193.49
1,342.69	D	1,342.69
1,764.14	E	1,764.14
2,181.86	F	2,181.86
2,629.42	G	2,629.42
3,289.58	H	3,289.58



## Calculation of Council Tax Base

Properties can be exempt if they are unoccupied or occupied by certain categories of resident.

A reduction may be applied if a resident is disabled.

A discount of 25% is available for properties occupied by one liable person aged 18 or over.

	Number of Dwellings	Number of Exempt Dwellings	Disabled Relief	Discounts	Council Tax Reduction	Total Number of Dwellings	Ratio to Band D	2021/22 Band D Equivalent Dwellings	2020/21 Band D Equivalent Dwellings
Band A*			(46)	6	29	11	56%	6	6
Band A	21,746	1,210	(49)	3,394	6,529	10,662	67%	7,108	7,005
Band B	18,515	482	56	2,160	3,964	11,853	78%	9,219	9,107
Band C	7,323	198	(3)	936	928	5,264	89%	4,679	4,609
Band D	7,120	152	(41)	752	448	5,809	100%	5,809	5,753
Band E	9,068	136	46	731	288	7,867	131%	10,336	10,197
Band F	4,102	51	26	252	74	3,699	163%	6,011	5,873
Band G	1,243	20	10	70	21	1,122	196%	2,197	2,144
Band H	58	1	1	6	-	50	245%	123	120
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent								4	4
<b>Sub-total</b>					<b>46,337</b>			<b>45,492</b>	<b>44,818</b>
<b>Less</b> Bad Debt Provision at 3.5%								(1,592)	(1,569)
<b>Council Tax Base</b>								<b>43,900</b>	<b>43,249</b>

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



## Notes to the Accounts

### Notes to the CIES

#### Note 1: Expenditure and Funding Analysis

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

The 2020/21 figures have been restated to reflect current year changes to the internal reporting structure. This has resulted in the reclassification of £2.2m of net expenditure between Chief Executives and Other Corporate Items, including £39.4m of Gross Income and £41.8m of Gross Expenditure. There is no change in the Net Cost of Services reported for the year.

	2021/22			2020/21 (Restated)		
	Net Expenditure Chargeable to the General Fund and HRA balances £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m	Net Expenditure Chargeable to the General Fund and HRA balances £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
Chief Executive	25.712	0.419	26.131	21.200	2.887	24.087
Communities	146.204	(10.702)	135.502	137.499	(9.464)	128.035
Place	66.560	44.568	111.128	62.660	42.659	105.319
Health and Social Care Partnership	107.059	10.778	117.837	99.899	4.912	104.811
Other Corporate Items	1.129	7.231	8.360	6.420	(0.070)	6.350
<b>Cost Of General Fund Services</b>	<b>346.664</b>	<b>52.294</b>	<b>398.958</b>	<b>327.678</b>	<b>40.924</b>	<b>368.602</b>
Housing Revenue Account	5.559	(15.080)	(9.521)	8.732	(17.804)	(9.072)
<b>Net Cost of Services</b>	<b>352.223</b>	<b>37.214</b>	<b>389.437</b>	<b>336.410</b>	<b>23.120</b>	<b>359.530</b>
Other Income and Expenditure	(379.860)	3.390	(376.470)	(371.374)	(20.222)	(391.596)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(27.637)</b>	<b>40.604</b>	<b>12.967</b>	<b>(34.964)</b>	<b>2.898</b>	<b>(32.066)</b>
<b>General Fund and HRA Balance at 1 April</b>	<b>(80.265)</b>			<b>(45.480)</b>		
(Surplus) or Deficit on Provision of Services	(27.637)			(34.964)		
Transfers to/from Other Statutory Reserves	6.388			0.179		
<b>General Fund and HRA Balance at 31 March (Note 11)</b>	<b>(101.514)</b>			<b>(80.265)</b>		



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

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2021/22			
	Adjustments for Capital Purposes (Note A) £m	Net Change for Pension Adjustments (Note B) £m	Other Differences (Note C) £m	Total Adjustments £m
Chief Executive	1.456	4.108	(5.145)	0.419
Communities	0.597	9.274	(20.573)	(10.702)
Place	33.548	12.878	(1.858)	44.568
Health and Social Care Partnership	0.130	13.957	(3.309)	10.778
Other Corporate Items	0.574	(1.378)	8.035	7.231
<b>Cost Of General Fund Services</b>	<b>36.305</b>	<b>38.839</b>	<b>(22.850)</b>	<b>52.294</b>
Housing Revenue Account	(9.482)	1.286	(6.884)	(15.080)
<b>Net Cost of Services</b>	<b>26.823</b>	<b>40.125</b>	<b>(29.734)</b>	<b>37.214</b>
Other Income and Expenditure from the Funding Analysis	(26.206)	3.898	25.698	3.390
<b>Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>0.617</b>	<b>44.023</b>	<b>(4.036)</b>	<b>40.604</b>

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2020/21			
	Adjustments for Capital Purposes (Note A) £m	Net Change for Pension Adjustments (Note B) £m	Other Differences (Note C) £m	Total Adjustments £m
Chief Executive	1.536	1.974	(0.623)	2.887
Communities	0.126	4.436	(14.026)	(9.464)
Place	36.109	5.924	0.626	42.659
Health and Social Care Partnership	0.101	6.440	(1.629)	4.912
Other Corporate Items	(0.019)	(1.667)	1.616	(0.070)
<b>Cost Of General Fund Services</b>	<b>37.853</b>	<b>17.107</b>	<b>(14.036)</b>	<b>40.924</b>
Housing Revenue Account	(18.073)	0.651	(0.382)	(17.804)
<b>Net Cost of Services</b>	<b>19.780</b>	<b>17.758</b>	<b>(14.418)</b>	<b>23.120</b>
Other Income and Expenditure from the Funding Analysis	(43.043)	3.083	19.738	(20.222)
<b>Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit</b>	<b>(23.263)</b>	<b>20.841</b>	<b>5.320</b>	<b>2.898</b>

### Note A Adjustments for Capital Purposes

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



## Note B Pensions Adjustments

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

## Note C Other Differences

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

## Note 2: Expenditure and Income Analysed by Nature

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

	2021/22 £m	2020/21 £m
<b>Expenditure</b>		
Employee Benefits Expenses	307.214	277.070
Other Service Expenses	340.310	329.406
Depreciation, Amortisation and Impairment	55.521	52.898
Interest Payments	45.897	44.046
Losses on Disposal of Assets	-	0.001
<b>Total Expenditure</b>	<b>748.942</b>	<b>703.421</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(313.608)	(299.844)
Gains on Disposal of Assets	(0.006)	-
Interest and Investment Income	(23.127)	(21.677)
Council Tax	(59.887)	(57.335)
Government Grants and Contributions	(339.347)	(356.631)
<b>Total Income</b>	<b>(735.975)</b>	<b>(735.487)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>12.967</b>	<b>(32.066)</b>

## Revenue from Contracts with Service Recipients

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

## Note 3: Financing and Investment Income and Expenditure



	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Interest payable and similar charges	18.820	19.284
Pensions interest cost and expected return on pensions assets	4.010	3.171
Interest receivable and similar income	(0.060)	(0.086)
<b>Total</b>	<b>22.770</b>	<b>22.369</b>

#### **Note 4: Other Operating Expenditure and Income**

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
(Gains)/losses on the disposal of non current assets	(0.006)	0.001
<b>Total</b>	<b>(0.006)</b>	<b>0.001</b>

#### **Note 5: Material Items**

The Comprehensive Income and Expenditure Statement (CIES) includes material items in relation to actuarial gains on the net pension liability, £167.617m as detailed in Note 29. This has been driven by improved returns on assets across the Fund, combined with an increase in the discount rate applied reflecting an increase in corporate bond yields over the year.

#### **Note 6: Agency Services**

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

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Agency income from Scottish Water	(0.514)	(0.514)
Cost of Collection associated with Scottish Water income	0.100	0.078

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

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Agency income from Business Grants	(0.071)	(0.255)
Agency income from Other Grants	(0.590)	(0.065)

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

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Business Grants Paid to Third Parties	13.473	39.244
Hardship Grants	4.941	1.048
HSCP Grants	2.212	-
Transport and Employability Grants	1.476	0.047
Self Isolation Grants	1.141	0.101
Community Renewal Grants	0.738	-
Early Learning & Childcare Grants	0.415	0.200

The Council also bills and collects Non-Domestic Rates on behalf of the Scottish Government. During 2021/22 the Council collected £30.506m which was reduced by (£1.986m) from the National Non-Domestic Rates Pool (2020/21: £25.436m and reduction of £0.419m).



## Note 7: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22:

	2021/22 £m	2020/21 £m
Credited to Taxation and Non Specific Grant Income		
General Revenue Grant	(280.585)	(281.545)
Council Tax	(59.887)	(57.335)
Capital Grants and Contributions	(30.242)	(50.069)
Non Domestic Rates	(28.520)	(25.017)
Total	(399.234)	(413.966)
Credited to Services		
Housing Benefit Funding	(36.420)	(39.030)
Health Resource Transfer	(22.620)	(23.337)
COVID-19 HSCP Grant	(16.748)	(13.128)
Early Years	(13.946)	(12.440)
Attainment Grant	(5.487)	(5.497)
Pupil Equity Fund	(4.628)	(3.935)
Schools for the Future	(3.372)	(3.369)
Criminal Justice Grant	(3.254)	(3.439)
Alcohol and Drug Partnership Funding	(1.404)	(0.745)
Ayrshire Growth Deal	(0.922)	-
Young Persons Guarantee	(0.788)	(0.077)
Syrian Relocation Grant	(0.708)	(0.635)
Benefit Admin Subsidy	(0.622)	(0.657)
EMA and Activity Agreements	(0.619)	(0.786)
Pipeline Grant	(0.588)	(0.516)
General Capital Grant	(0.559)	(0.362)
Care Experienced Children and Young People	(0.461)	(0.515)
Sportscotland Sport Facilities Grant	(0.443)	(0.422)
Town Centre Regeneration	(0.429)	(0.095)
Millport CARS	(0.391)	(0.104)
Community Mental Health and Wellbeing Supports and Services	(0.268)	-
Creative Scotland Grant	(0.223)	(0.173)
Criminal Justice Concerned Backlog	(0.217)	-
Equalities Unit Funding	(0.210)	(0.210)
Developing Young Workforce	(0.180)	(0.039)
European Regional Development Fund	(0.170)	(0.173)
Admin Grant	(0.166)	(0.171)
Vulnerable Children and Young People	(0.147)	(0.553)
COVID-19 Related Grants 2020/21 Only	-	(3.169)
Other Minor Grants	(2.606)	(3.281)
<b>Total</b>	<b>(118.596)</b>	<b>(116.858)</b>



## Note 8: External Audit Costs

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

	2021/22 £m	2020/21 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.317	0.310
<b>Total</b>	<b>0.317</b>	<b>0.310</b>

## Note 9: Leases

### Council as Lessee

#### Operating Leases

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

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

	2021/22 £m	2020/21 £m
Not later than one year	0.228	0.147
Later than one year and not later than five years	0.376	0.337
	<b>0.604</b>	<b>0.484</b>

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

	2021/22 £m	2020/21 £m
Minimum Lease Payments	0.259	0.131

#### Finance Leases

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

### Council as Lessor

#### Finance Leases

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

#### Operating Leases

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

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

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



## Notes to the MiRS

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

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

Movements in 2021/22	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m
Reversal of items debited or credited to the CIES					
Charges for depreciation of non current assets	31.907	19.216	-	51.123	(51.123)
Amortisation of intangible assets	0.079	-	-	0.079	(0.079)
Impairment of non current assets	4.319	-	-	4.319	(4.319)
Capital grants and contributions that have been applied to capital financing	(18.137)	(12.105)	-	(30.242)	30.242
(Gains)/losses on the disposal of non current assets	(0.002)	(0.004)	-	(0.006)	0.006
Statutory provision for the financing of capital investment	(7.297)	(4.445)	-	(11.742)	11.742
Capital expenditure charged against the General Fund and HRA balances	(0.770)	(12.144)	-	(12.914)	12.914
Adjustments involving the Capital Fund	-	-	(1.161)	(1.161)	1.161
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.441)	(0.341)	-	(0.782)	0.782
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	42.737	1.286	-	44.023	(44.023)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3.207)	(0.047)	-	(3.254)	3.254
<b>Total Adjustments</b>	<b>49.188</b>	<b>(8.584)</b>	<b>(1.161)</b>	<b>39.443</b>	<b>(39.443)</b>



### Comparable Movements in 2020/21

Movements in 2020/21	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m
<b>Reversal of items debited or credited to the CIES</b>					
Charges for depreciation of non current assets	32.244	15.016	-	<b>47.260</b>	(47.260)
Amortisation of intangible assets	0.272	-	-	<b>0.272</b>	(0.272)
Impairment of non-current assets	5.336	0.030	-	<b>5.366</b>	(5.366)
Capital grants and contributions that have been applied to capital financing	(33.049)	(17.020)	-	<b>(50.069)</b>	50.069
(Gain)/loss on the disposal of non-current assets	0.015	(0.014)	-	<b>0.001</b>	(0.001)
Statutory provision for the financing of capital investment	(8.366)	(3.832)	-	<b>(12.198)</b>	12.198
Capital expenditure charged against the General Fund and HRA balances	(1.643)	(12.252)	-	<b>(13.895)</b>	13.895
Adjustments involving the Capital Fund	-	-	(1.411)	<b>(1.411)</b>	1.411
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.458)	(0.324)	-	<b>(0.782)</b>	0.782
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	20.190	0.651	-	<b>20.841</b>	(20.841)
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	6.023	0.079	-	<b>6.102</b>	(6.102)
<b>Total Adjustments</b>	<b>20.564</b>	<b>(17.666)</b>	<b>(1.411)</b>	<b>1.487</b>	<b>(1.487)</b>



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

	31 March 2021 £m	Income £m	Expenditure £m	31 March 2022 £m	Purpose of Reserve
General Fund Balance unearmarked	11.315	-	-	11.315	The balance represents 2.9% of budgeted expenditure
Education DMR	0.014	0.007	(0.014)	0.007	Enables schools to carry forward balances to be utilised in future years
Affordable Housing	2.922	1.066	(2.024)	1.964	Contributes towards the provision of new build social housing
Loans Fund Reserve	4.265	6.614	(0.019)	10.860	Supports borrowing linked to the Capital Investment Programme.
Investment Fund	9.575	4.473	(0.325)	13.723	Supports environmental projects, infrastructure investment and Community Wealth Building activity
Renewal Fund	6.974	7.770	(1.227)	13.517	Supports delivery of the Council's Renewal and Recovery Strategy
Change & Service Redesign Fund	2.844	-	(0.207)	2.637	This sum is earmarked for delivery of the Council's Change Programme
Earmarked Funds	15.424	6.236	(3.356)	18.304	Various specific projects for which funds have been identified prior to 31 March 2022, but spending plans exist relating to 2022/23 or beyond
Early Learning and Childcare	1.694	2.107	(0.147)	3.654	Supports the implementation of the expansion of Early Learning and Childcare provision
Education Recovery	4.380	1.313	(2.500)	3.193	Funds earmarked to support the Education Covid Recovery Plan
Other Covid Related Funding	6.637	-	(2.496)	4.141	Funds earmarked to support Covid related recovery activity
Financial Insecurity	-	2.583	-	2.583	Funds earmarked to support Low Income Families
<b>General Fund Balance</b>	<b>66.044</b>	<b>32.169</b>	<b>(12.315)</b>	<b>85.898</b>	
Housing Revenue Account	14.221	2.941	(1.546)	15.616	The balance on the HRA includes £5.3m earmarked for new house building and £0.8m retained as contingency
<b>HRA Balance</b>	<b>14.221</b>	<b>2.941</b>	<b>(1.546)</b>	<b>15.616</b>	
<b>Total General Fund and HRA Balances</b>	<b>80.265</b>	<b>35.110</b>	<b>(13.861)</b>	<b>101.514</b>	
Insurance Fund	3.381	0.055	(0.296)	3.140	This fund meets the Council's share of outstanding claims against the Council and its predecessors and is subject to actuarial valuation on a triennial basis
Capital Fund	3.119	6.629	(1.161)	8.587	Funds earmarked to support the 2022-2031 capital programme
<b>Other Reserves</b>	<b>6.500</b>	<b>6.684</b>	<b>(1.457)</b>	<b>11.727</b>	
<b>Total Usable Reserves</b>	<b>86.765</b>	<b>41.794</b>	<b>(15.318)</b>	<b>113.241</b>	



## Notes to the Balance Sheet

### Note 12: Property, Plant and Equipment

#### Movements in 2021/22:

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



**Comparative Movements in 2020/21:**

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Community Assets £m	Surplus Assets £m	Assets under Construction £m	Total £m	PPP/NPD Assets Included in P,P&E £m
<b>Cost or Valuation</b>								
<b>Balance at 1 April 2020</b>	<b>447.254</b>	<b>450.231</b>	<b>40.653</b>	<b>4.001</b>	<b>5.757</b>	<b>66.040</b>	<b>1,013.936</b>	<b>114.046</b>
Reclassification of Assets	8.440	11.072	1.363	0.017	0.085	(25.584)	(4.607)	-
Additions	9.588	0.834	3.552	0.170	-	64.417	78.561	0.001
Revaluations recognised in the Revaluation Reserve	37.700	(0.755)	-	-	0.025	-	36.970	-
Impairments recognised in the Net Cost of Services	-	(6.214)	-	-	-	-	(6.214)	-
Derecognition - Disposals	-	(0.096)	(1.519)	-	(0.085)	-	(1.700)	-
Assets reclassified (to)/from Held for Sale	-	(0.152)	-	-	-	-	(0.152)	-
<b>Balance at 31 March 2021</b>	<b>502.982</b>	<b>454.920</b>	<b>44.049</b>	<b>4.188</b>	<b>5.782</b>	<b>104.873</b>	<b>1,116.794</b>	<b>114.047</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>Balance at 1 April 2020</b>	<b>-</b>	<b>44.593</b>	<b>33.711</b>	<b>0.899</b>	<b>-</b>	<b>-</b>	<b>79.203</b>	<b>10.688</b>
Reclassification of Assets	0.009	(0.009)	-	-	-	-	-	-
Depreciation Charge	14.919	23.600	3.842	0.202	0.003	-	42.566	5.506
Depreciation written out to the Revaluation Reserve	(14.928)	(0.257)	-	-	(0.003)	-	(15.188)	-
Depreciation written out to the Net Cost of Services	-	(0.822)	-	-	-	-	(0.822)	-
Derecognition - Disposals	-	(0.011)	(1.442)	-	-	-	(1.453)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>-</b>	<b>67.094</b>	<b>36.111</b>	<b>1.101</b>	<b>-</b>	<b>-</b>	<b>104.306</b>	<b>16.194</b>
<b>Net Book Value</b>								
<b>Balance at 31 March 2021</b>	<b>502.982</b>	<b>387.826</b>	<b>7.938</b>	<b>3.087</b>	<b>5.782</b>	<b>104.873</b>	<b>1,012.488</b>	<b>97.853</b>
<b>Balance at 31 March 2020</b>	<b>447.254</b>	<b>405.638</b>	<b>6.942</b>	<b>3.102</b>	<b>5.757</b>	<b>66.040</b>	<b>934.733</b>	<b>103.358</b>

**Infrastructure Assets**

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

The movements in relation to Infrastructure Assets for 2021/22 and the 2020/21 comparator movements are as follows:



	<b>2021/22</b> £m	<b>2020/21</b> £m
Net Book Value at 1 April	82.933	77.345
Reclassification of Assets	0.022	4.607
Additions	8.042	5.675
Depreciation Charge	(4.904)	(4.694)
<b>Net Book Value at 31 March</b>	<b>86.093</b>	<b>82.933</b>

### Total Property Plant and Equipment

	<b>2021/22</b> £m	<b>2020/21</b> £m
Infrastructure Assets Net Book Value at 31 March	86.093	82.933
Other Property, Plant and Equipment Net Book Value at 31 March	1,052.895	1,012.488
<b>Total PP&amp;E Net Book Value at 31 March</b>	<b>1,138.988</b>	<b>1,095.421</b>

### Note 13: Fair Values

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

Fair values for the Council's Surplus Properties as at 31 March 2022 are as follows:

<b>North Ayrshire Council</b>	<b>Fair Value as at 31 March 2022</b> £m	<b>Fair Value as at 31 March 2021</b> £m
Land	9.125	5.705
Offices	0.062	0.077
<b>Total</b>	<b>9.187</b>	<b>5.782</b>

Fair values for the Investment Properties held by the Common Good and Trust Funds as at 31 March 2022 are as follows:

<b>Common Good / Trusts</b>	<b>Fair Value as at 31 March 2022</b> £m	<b>Fair Value as at 31 March 2021</b> £m
Land	1.150	1.150
Offices	0.620	0.712
Community use	0.276	0.273
<b>Total</b>	<b>2.046</b>	<b>2.135</b>

### Note 14: Assets Held for Sale

	<b>2021/22</b> £m	<b>2020/21</b> £m
Balance at 1 April	1.002	0.740
Assets newly classified as held for sale:		
Property, Plant and Equipment	4.622	0.152
Revaluations	5.348	0.132
Assets disposed of during the year	(10.597)	(0.022)
<b>Balance at 31 March</b>	<b>0.375</b>	<b>1.002</b>



## Note 15: Heritage Assets

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

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

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

Such assets can be grouped as follows:

- Castles – including Eglinton castle, Stanecastle Irvine and Ardrossan castle;
- 8 Monuments – including Mackerston Fountain, Largs, Bonnie Lesley Monument, Stevenston and the Pencil Monument, Largs;
- 23 War Memorials across North Ayrshire; and
- Museum and Gallery items valued at less than £10,000

A valuation of some of the assets has been undertaken by external valuers Lyon & Turnbull during 2021/22. The remaining assets were due to be valued but due to Covid restrictions and workload backlogs this was not possible. The list of assets will be updated regularly as and when valuations are received throughout the year.

The valuation by Lyon and Turnbull was dated 5th May 2022. The assets presented for valuation were valued as at good gallery and retail outlet values but not for facsimile purposes. There were no limitations mentioned on the values or the certificate.

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

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

Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2020	0.591	0.139	0.420	0.177	1.327
Movement in Year:	-	-	-	-	-
Balance at 31 March 2021	0.591	0.139	0.420	0.177	1.327

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

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

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

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



## Note 16: Intangible Assets

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

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

Long Term Intangible Assets	2021/22 £m	2020/21 £m
Balance at start of year:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.362)	(4.090)
<b>Net carrying amount at start of year</b>	<b>0.265</b>	<b>0.537</b>
Amortisation for the period	(0.079)	(0.272)
<b>Net carrying amount at end of year</b>	<b>0.186</b>	<b>0.265</b>
Comprising:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.441)	(4.362)
	<b>0.186</b>	<b>0.265</b>

## Note 17: Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The table below excludes those assets acquired under PFI or similar contracts (see Note 18).

	2021/22		2020/21	
	General Fund £m	HRA £m	General Fund (Restated) £m	HRA £m
<b>Opening Capital Financing Requirement</b>	<b>184.166</b>	<b>135.724</b>	<b>185.238</b>	<b>124.554</b>
<b>Capital investment</b>				
Property, Plant and Equipment	41.052	-	39.948	-
Council Dwellings	-	48.668	-	44.287
	<b>41.052</b>	<b>48.668</b>	<b>39.948</b>	<b>44.287</b>
<b>Sources of finance</b>				
Sale of other Assets	4.329	0.065	0.255	0.013
Grants and other contributions	18.137	12.105	33.049	17.020
Contribution from Reserves	1.161	-	1.411	-
Direct revenue contributions	0.770	12.144	1.643	12.252
Loans Fund Principal	3.466	4.445	4.662	3.832
	<b>27.863</b>	<b>28.759</b>	<b>41.020</b>	<b>33.117</b>
<b>Closing Capital Financing Requirement</b>	<b>197.355</b>	<b>155.633</b>	<b>184.166</b>	<b>135.724</b>

The Opening General Fund Capital Financing Requirement has been restated to remove historical discrepancies related to prior year audit adjustments.



## Depreciation and Revaluations

As highlighted in Note 42: Accounting Policies, under Property, Plant and Equipment on pages 100 to 102, depreciation is provided for on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the following table:

Category	Useful Life (Years)	Valuer	Basis of Valuation	Date of last full valuation
Council Dwellings	25	District Valuer	Existing Use Value for Social Housing 'Beacon Principle'	31/03/2020*
Other Land and Buildings	50-60	Internal RICS Valuer	Open Market Value Existing Use or Depreciated Replacement Cost Existing Use (Specialised Operational Properties)	Valued on a 5 year rolling programme
Other Land & Buildings - Schools	50-60	Internal RICS Valuer	Depreciated Replacement Cost Existing Use	Valued on a 5 year rolling programme
Surplus	50	Internal RICS Valuer	Fair Value (Market Value) Highest and Best Use	31/03/2022
Vehicles	4-7	n/a	Historical Cost	n/a
Infrastructure Assets	30	n/a	Historical Cost	n/a
Plant and Equipment	5-20	n/a	Historical Cost	n/a
Community Assets	20	n/a	Historical Cost	n/a

A desktop review was carried out during 2021/22 which resulted in a revaluation adjustment for Council Dwellings, this adjustment is reported in Note 12, above.

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

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

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Community Assets £m	Surplus Assets £m	Total £m
Carried at Historic Cost			47.310	4.259		51.569
Valued at current value at :						
31 March 2022	527.829	232.106			9.187	769.122
31 March 2021		81.897				81.897
31 March 2020		44.061				44.061
31 March 2019		10.993				10.993
31 March 2018		117.316				117.316
<b>Total Cost or Valuation</b>	<b>527.829</b>	<b>486.373</b>	<b>47.310</b>	<b>4.259</b>	<b>9.187</b>	<b>1,074.958</b>

## Commitments under capital contracts

At 31 March 2022, the Council has approved capital investment programmes for both General Services and the Housing Revenue Account, for construction or enhancement of Property, Plant and Equipment. Contractual commitments in place at 31 March 2022 totalled £24.054m as follows (2020/21: £66.244m):



<b>Capital Commitments</b>	<b>At 31 March 2022</b>
	<b>£m</b>
<b>General Services Programme - Major Projects</b>	
New Moorpark PS, Kilbirnie	7.666
Millport Town Hall	1.409
Marress House - Refurbishment (Early Years)	1.166
Garnock Visitor & Community Hub	1.090
Other Minor Commitments	3.111
<b>Total General Services Contractual Commitment</b>	<b>14.442</b>
<b>HRA Programme</b>	<b>£m</b>
Harbourside Irvine New Build	6.202
High Flats Saltcoats - Refurb	1.894
Afton Court New Build	1.194
Friars Lawn	0.211
High Flats Saltcoats - Recladding	0.047
Garrier Court Springside	0.034
Connel Court Kilbirnie	0.030
<b>Total HRA Contractual Commitment</b>	<b>9.612</b>

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

### **North Ayrshire Council Schools PPP Contract**

2021/22 was the fifteenth year of a 30-year PPP contract for the construction, maintenance and operation of four schools: Stanley Primary, Arran High, Greenwood Academy and St Matthew's Academy. The schools provide leisure facilities to the community outwith the school day. These are run by North Ayrshire Leisure Limited. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

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

### **Largs Campus DBFM Contract**

2021/22 was the fourth year for Largs Campus of a 25 year contract. This campus was procured through a Design, Build, Finance and Maintain (DBFM) contract. This Campus covers a secondary school, two primary schools and one early years centre.

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

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

### **Clyde Valley Waste PFI Contract**

2021/22 was the third year for Clyde Valley Waste of a 25 year contract. This plant was procured through a PFI contract. The Council has a 17% share in the contract for waste recycling which utilises the waste materials recovery facility at Bargeddie with residual waste then processed at a thermal treatment site in Dunbar.



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

The buildings, and any plant and equipment installed in them, will not be transferred to North Ayrshire Council at the end of the contract. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

## Property Plant and Equipment

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

## Payments

For PPP the Council makes an agreed payment each year which is uplifted each year by 2/3 of the increase in the retail price index (RPI). For DBFM the Council makes an agreed payment each year uplifted by 21% of the increase in RPI. The Clyde Valley Waste contract is uplifted each year by applying CPI to the variable element of the contract. Payments can be reduced if the contractor fails to meet availability and performance standards in any year. All payments can be reduced if the contractor fails to meet availability and performance standards in any year.

Remaining payments to be made under the PPP, DBFM and Clyde Valley Waste contracts at 31 March 2022 (based on an estimate of the cash amount that will actually be paid and excluding availability / performance deductions) are as follows:

	Service Charges £m	Liability Repayment £m	Interest Repayment £m	Contingent Rentals £m	Total £m
Payable in 2022/23	9.790	3.844	5.766	1.723	21.123
Payable within two to five years	42.024	17.063	20.867	8.260	88.214
Payable within six to ten years	58.029	26.545	20.130	14.688	119.392
Payable within eleven to fifteen years	63.370	34.465	11.648	21.352	130.835
Payable within sixteen to twenty years	35.087	18.679	2.660	10.757	67.183
Payable within twenty one to twenty five years	14.728	3.386	0.182	1.258	19.554
<b>Total</b>	<b>223.028</b>	<b>103.982</b>	<b>61.253</b>	<b>58.038</b>	<b>446.301</b>

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

	2021/22 £m	2020/21 £m
Balance outstanding at 1 April	107.813	111.517
Payments during the year	(3.831)	(3.704)
<b>Balance outstanding at 31 March</b>	<b>103.982</b>	<b>107.813</b>

## Note 19: Long Term Debtors

	2021/22 £m	2020/21 £m
North Ayrshire Ventures Trust	-	0.292
Advances for House Purchases	0.104	0.147
<b>Total</b>	<b>0.104</b>	<b>0.439</b>



## Note 20: Inventories

	2021/22				2020/21
	Balance at 1 April £m	Purchases £m	Recognised as an expense £m	Balance at 31 March £m	Balance at 31 March £m
<b>Consumables</b>					
Catering	0.129	2.121	(2.107)	0.143	0.129
Streetscene & Waste	0.059	0.202	(0.174)	0.087	0.059
Transport Fuel	0.119	1.688	(1.674)	0.133	0.119
Donated Covid Consumables	0.504	1.616	(1.073)	1.047	0.504
Other	0.001	-	-	0.001	0.001
<b>Maintenance Materials</b>					
Building Services	0.479	3.439	(3.404)	0.514	0.479
Roads	0.160	0.353	(0.272)	0.241	0.160
<b>Total</b>	<b>1.451</b>	<b>9.419</b>	<b>(8.704)</b>	<b>2.166</b>	<b>1.451</b>

## Note 21: Short Term Debtors

	2021/22 £m	2020/21 £m
Trade Receivables	39.776	15.637
Prepayments	2.122	1.986
Other Receivable Amounts	31.519	35.868
<b>Total</b>	<b>73.417</b>	<b>53.491</b>

## Note 22: Debtors for Local Taxation

	2021/22		2020/21	
	Council Tax £m	NDR £m	Council Tax £m	NDR £m
Less than 1 year	2.010	1.262	2.566	-
1 to 2 years	2.133	0.018	1.009	-
2 to 5 years	1.484	-	1.421	-
More than 5 years	0.391	-	0.170	-
<b>Total</b>	<b>6.018</b>	<b>1.280</b>	<b>5.166</b>	<b>-</b>

## Note 23: Short Term Borrowing

	2021/22 £m	2020/21 £m
North Ayrshire Municipal Bank Ltd	(0.036)	(0.038)
PWLB	(3.308)	(3.313)
Market Debt / LOBOs / Other Local Authorities	(80.820)	(49.310)
<b>Total</b>	<b>(84.164)</b>	<b>(52.661)</b>



## Note 24: Short Term Creditors

	2021/22 £m	2020/21 £m
Trade Payables	(54.257)	(32.224)
Other Payables	(56.613)	(59.278)
<b>Total</b>	<b>(110.870)</b>	<b>(91.502)</b>

## Note 25: Provisions

	Equal Pay / Single Status £m	Termination Benefits £m	Landfill Site Restoration £m	Employee Costs - Paid Absences £m	Teachers Maternity £m	Former Authorities £m	Total £m
<b>Balance at 1 April 2021</b>	<b>(0.136)</b>	<b>(0.262)</b>	<b>(0.533)</b>	<b>(0.125)</b>	<b>(0.133)</b>	<b>(0.133)</b>	<b>(1.322)</b>
Additional provisions made in 2021/22	-	(0.161)	(0.014)	(0.023)	(0.065)	(0.084)	(0.347)
Amounts written off in 2021/22	-	-	0.184	-	-	-	0.184
Amounts used in 2021/22	0.006	0.262	-	-	-	-	0.268
<b>Balance at 31 March 2022</b>	<b>(0.130)</b>	<b>(0.161)</b>	<b>(0.363)</b>	<b>(0.148)</b>	<b>(0.198)</b>	<b>(0.217)</b>	<b>(1.217)</b>

### Equal Pay/Single Status

In 2014/15 a provision of £2.867m was made in respect of Equal Pay and Single Status. During 2021/22 £0.006m of the provision was utilised. As at 31 March 2022 the level of provision required is £0.130m. The timing of the settlement of these claims is uncertain.

### Termination Benefits

In 2021/22 a provision of £0.161m was required in relation to employee retiral commitments the Council had in place at 31 March 2022. These liabilities are expected to be discharged during 2022/23.

### Landfill Site Restoration

This provision relates to the Council's landfill site at Shewalton in Irvine. During 2021/22, £0.184m was released for aftercare costs. The increase in the provision for the unwinding of the discount was also recognised as an interest charge £0.014m. These liabilities are expected to be discharged over the period to 2023/24.

### Employee Costs - Paid Absences

In accordance with IAS19 Employee Benefits provision has been made of £0.148m for the costs of paid employee absences arising from Flexi Time earned but not taken prior to 31 March 2022. These liabilities are expected to be discharged during 2022/23.

### Teachers Maternity

The Council holds a provision of £0.198m in respect of teachers' holidays accrued while on maternity leave, which is an increase of £0.065m on the opening balance of £0.133m. These liabilities are expected to be discharged during 2022/23.



## Former Authorities: Potential Claims

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

## Note 26: Financial Instruments

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

	Category:	Long Term		Current		Total	
		31/03/22 £m	31/03/21 £m	31/03/22 £m	31/03/21 £m	31/03/22 £m	31/03/21 £m
Loans and receivables:							
Cash (including bank)	Amortised Cost	-	-	27.506	32.258	27.506	32.258
Bank overdraft	Amortised Cost	-	-	(1.670)	(2.346)	(1.670)	(2.346)
<b>Cash and cash equivalents</b>		-	-	<b>25.836</b>	<b>29.912</b>	<b>25.836</b>	<b>29.912</b>
Short Term Investments	Amortised Cost	-	-	16.002	10.025	16.002	10.025
Debtors	Amortised Cost	0.104	0.439	63.997	53.491	64.101	53.930
<b>Total Financial Assets</b>		<b>0.104</b>	<b>0.439</b>	<b>105.835</b>	<b>93.428</b>	<b>105.939</b>	<b>93.867</b>
Loans at amortised cost:							
Principal sums	Amortised Cost	181.616	207.578	83.192	51.688	264.808	259.266
Accrued interest	Amortised Cost	-	-	0.972	0.973	0.972	0.973
Effective Interest Rate adjustment	Amortised Cost	0.841	0.839	-	-	0.841	0.839
<b>Total borrowing</b>		<b>182.457</b>	<b>208.417</b>	<b>84.164</b>	<b>52.661</b>	<b>266.621</b>	<b>261.078</b>
Trade payables	Amortised Cost	-	-	107.026	87.671	107.026	87.671
PFI and similar liabilities	Amortised Cost	-	-	3.844	3.831	3.844	3.831
<b>Short-term creditors</b>		<b>-</b>	<b>-</b>	<b>110.870</b>	<b>91.502</b>	<b>110.870</b>	<b>91.502</b>
PFI and similar liabilities	Amortised Cost	100.139	103.983	-	-	100.139	103.983
<b>Total Financial Liabilities</b>		<b>282.596</b>	<b>312.400</b>	<b>195.034</b>	<b>144.163</b>	<b>477.630</b>	<b>456.563</b>

## Financial Assets

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

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

## Cash and cash equivalents

The bank overdraft figure reflects total debit balances on the Council's group of bank accounts with the Clydesdale Bank plc. The figure for Cash and Cash Equivalents in the balance sheet offsets the overdraft with cash at bank and in hand, as detailed in Note 37.

## Soft Loans

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



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

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Value at 1 April	0.520	0.725
Amounts repaid to the Council	(0.228)	(0.228)
Fair value adjustments	0.013	0.023
<b>Value at 31 March</b>	<b>0.305</b>	<b>0.520</b>

## Financial Liabilities

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

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

## Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, they have been categorised at Level 2 in the Fair Value hierarchy using the following assumptions:

- Loans borrowed by the Council have been valued by discounting cash flows over the life of the loan at appropriate market rates;
- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- The fair values of PPP and NPD liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond rate;
- No early repayment or impairment is recognised; and
- The fair value of short-term instruments, including trade payables and receivables, is taken to be the carrying amount or the billed amount.

The calculated fair values are as follows:

	<b>At 31 March 2022</b>		<b>At 31 March 2021</b>	
	<b>Carrying Amount £m</b>	<b>Fair Value £m</b>	<b>Carrying Amount £m</b>	<b>Fair Value £m</b>
PWLB Debt	181.475	262.218	184.368	304.454
Non-PWLB Debt	157.839	228.125	161.764	255.895
Temporary Loans	31.254	31.254	22.722	22.722
<b>Total Debt</b>	<b>370.568</b>	<b>521.597</b>	<b>368.854</b>	<b>583.071</b>
Trade Creditors	107.026	107.026	87.671	87.671
<b>Total Liabilities</b>	<b>477.594</b>	<b>628.623</b>	<b>456.525</b>	<b>670.742</b>



	At 31 March 2022		At 31 March 2021	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Cash and Cash Equivalents	25.836	25.836	29.912	29.912
Short Term Deposits < 1 year	16.002	16.002	10.025	10.025
Trade Debtors	64.101	64.239	53.930	54.068
<b>Total Assets</b>	<b>105.939</b>	<b>106.077</b>	<b>93.867</b>	<b>94.005</b>

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

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

### Income, Expense, Gains and Losses

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

	2021/22			2020/21		
	Liabilities measured at amortised cost £m	Loans and receivables measured at amortised cost £m	Total £m	Liabilities measured at amortised cost £m	Loans and receivables measured at amortised cost £m	Total £m
Interest expense	(19.602)	-	(19.602)	(20.066)	-	(20.066)
Losses on derecognition	0.782	-	0.782	0.782	-	0.782
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(18.820)</b>	<b>-</b>	<b>(18.820)</b>	<b>(19.284)</b>	<b>-</b>	<b>(19.284)</b>
Interest income	-	0.060	0.060	-	0.086	0.086
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>0.060</b>	<b>0.060</b>	<b>-</b>	<b>0.086</b>	<b>0.086</b>
<b>Net gain/(loss) for the year</b>	<b>(18.820)</b>	<b>0.060</b>	<b>(18.760)</b>	<b>(19.284)</b>	<b>0.086</b>	<b>(19.198)</b>

### Note 27: Risks arising from Financial Instruments

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

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

[www.north-ayrshire.gov.uk](http://www.north-ayrshire.gov.uk) under Council>Performance and Spending>Budgets and Finance



The key risks are:

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

### Credit Risk: Investments

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

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

The Treasury Management and Investment Strategy for 2021/22 was approved by North Ayrshire Council on 4 March 2021.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

Credit Risk Exposure at 31 March 2022:

Counterparty	Credit Rating Criteria met when invested	Credit Rating Criteria met at 31st March 2022	Balance Invested at 31st March 2022					
			Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 6 and 12 months	Total
			YES/NO	YES/NO	£m	£m	£m	£m
UK Banks	YES	YES	14.900	-	-	-	-	14.900
Debt Management Office	YES	YES	6.000	-	-	-	-	6.000
Other	YES	YES	12.600	5.001	-	5.001	-	22.602
<b>Total</b>			<b>33.500</b>	<b>5.001</b>	-	<b>5.001</b>	-	<b>43.502</b>

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

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

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



	2021/22			2020/21		
	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - simplified approach	Total	Lifetime expected credit losses - not credit impaired	Lifetime expected credit losses - simplified approach	Total
	£m	£m	£m	£m	£m	£m
Balance as at 1 April	2.325	6.517	8.842	2.325	5.445	7.770
Changes due to modifications which did not result in derecognition	(1.614)	0.594	(1.020)	-	1.072	1.072
<b>As at 31 March</b>	<b>0.711</b>	<b>7.111</b>	<b>7.822</b>	<b>2.325</b>	<b>6.517</b>	<b>8.842</b>

During the year, the Council wrote off financial assets with a contractual amount outstanding of £1.526m (£2.027m 2020/21) which are still subject to enforcement activity. Comparator figures for 2020/21 have been updated to include Council Tax and Non Domestic Rates debts in order to provide a more complete assessment of all debts written off during the year,

## Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2022:

	Credit Risk Rating	Gross Carrying Amount at 31 March 2022 £m	Gross Carrying Amount at 31 March 2021 £m
Lifetime expected credit losses	Internal Assessment	2.320	3.807
Simplified approach	Historic Experience	71.835	53.526
		<b>74.155</b>	<b>57.333</b>

## Liquidity risk

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

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

## Refinancing Risk

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

This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and



- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of the principal sums borrowed is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (as approved by the Council in the Treasury Management and Investment Strategy on 4 March 2021):

Loans Outstanding	At 31 March 2022 £m	At 31 March 2022 %	Approved Upper Limit %	Approved Lower Limit %	At 31 March 2021 £m
Less than one year	87.037	24%	50%	0%	55.520
Between one and two years	6.772	2%	50%	0%	6.805
Between two and five years	22.141	6%	50%	0%	21.450
Between five and ten years	52.134	14%	75%	0%	51.003
More than ten years	200.707	54%	90%	25%	232.302
<b>Total</b>	<b>368.791</b>				<b>367.080</b>
Public Works Loan Board	181.055				183.943
Market Debt / LOBOs	52.509				52.564
Temporary borrowing	31.245				22.759
PPP/NPD Liabilities	103.982				107.814
<b>Total</b>	<b>368.791</b>				<b>367.080</b>

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

## Market risk

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

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

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

The Council's Treasury Management and Investment Strategy aims to mitigate these risks by setting upper limits on its exposure to fixed and variable interest rates. For 2021/22 these limits were £504.9m of total borrowing on fixed rate borrowing and £60.0m for variable rate borrowing.

At 31 March 2022, £207.6m of principal borrowing was exposed to fixed rates and £51.0m to variable rates. This excludes liabilities in respect of PPP and NPD contracts.

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



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

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

	At 31 March 2022 £m
<b>Impact on tax-payers &amp; rent-payers</b>	
Increase on interest payable on variable rate borrowings	48.950
Increase in interest receivable on variable rate investments	-
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>48.950</b>
<b>Share of overall impact debited to the HRA</b>	<b>21.341</b>
Decrease in fair value of fixed rate investment assets	-
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>-</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(47.676)

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

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

**Foreign exchange risk:** This would apply where funds are held in a foreign currency. At 31 March 2022, the Council held no foreign currency funds.

## Note 28: Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2021/22, the Council recognised £14.806m in respect of teachers' retirement benefits, representing 22.43% of pensionable pay. The figures for 2020/21 were £14.130m and 22.21%. There were no contributions remaining payable at the year-end. The estimated contribution for 2022/23 is £13.326m. As a proportion of the total contributions into the Scheme during the year to 31 March 2022, North Ayrshire Council's contribution equates to approximately 2.26%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 29. There were no additional costs included for 2021/22.



## Note 29: Defined Benefit Pension Schemes

### Participation in pension schemes

North Ayrshire Council participates in the Local Government (Scotland) Superannuation Scheme, administered by Glasgow City Council through the Strathclyde Pensions Fund. This is a funded defined benefits scheme, with both employer and employee making contributions, intended to balance the pension liabilities with investment assets. As part of the terms and conditions of employment for its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be made until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement.

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

### Transactions relating to post-employment benefits

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

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

Local Government Pension Scheme Comprehensive Income & Expenditure Statement	2021/22 £m	2020/21 £m
Cost of Services:		
Current service cost	66.136	42.426
Past service cost (including curtailments)	0.362	0.161
Financing and Investment Income and Expenditure:		
Net interest expense	4.010	3.171
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>70.508</b>	<b>45.758</b>
Other Post Employment Benefit Charged to the CIES:		
Expected return on pension fund assets (excluding amounts included in net interest)	(65.585)	(189.344)
Actuarial (gains) / losses arising on changes in financial assumptions	(101.565)	226.964
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(96.642)</b>	<b>83.378</b>
Movement in Reserves Statement :		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(44.023)	(20.841)
Actuarial gains/(losses) on pension assets/liabilities	167.150	(37.620)
<b>Contributions from employer payable to scheme</b>	<b>26.485</b>	<b>24.917</b>



## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2021/22 £m	2020/21 £m
Present value of the defined benefit obligation	(1,301.889)	(1,331.515)
Fair value of plan assets	1,244.439	1,150.938
<b>Net liability arising from defined benefit obligation</b>	<b>(57.450)</b>	<b>(180.577)</b>

## Assets and Liabilities in Post-Employment Benefits

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

	2021/22 £m	2020/21 £m
Balance as at 1 April	(1,331.515)	(1,059.492)
Current service cost	(66.136)	(42.426)
Interest cost	(27.077)	(24.761)
Contributions by scheme participants	(7.605)	(7.109)
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising on changes in financial assumptions	95.890	(277.438)
Changes in demographic assumptions	8.088	25.706
Other experience	(2.413)	24.768
Past service cost (including curtailments)	(0.362)	(0.161)
Benefits paid	29.241	29.398
<b>Balance as at 31 March</b>	<b>(1,301.889)</b>	<b>(1,331.515)</b>

## Reconciliation of Fair Value of Scheme Assets

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

	2021/22 £m	2020/21 £m
Balance as at 1 April	1,150.938	937.376
Interest income	23.067	21.590
Re-measurement gains and (losses):		
Return on plan assets excluding amounts included in net interest	65.585	213.769
Other experience	-	(24.425)
Contributions from employer payable to the scheme	26.485	24.917
Contributions by scheme participants	7.605	7.109
Benefits paid	(29.241)	(29.398)
<b>Balance as at 31 March</b>	<b>1,244.439</b>	<b>1,150.938</b>



## Analysis of Pension Fund's Assets

North Ayrshire Council's share of the Pension Fund assets as at 31 March 2022 comprised:

Portfolio Composition	2021/22				2020/21			
	Quoted Prices in Active Markets £m	Quoted Prices not in Active Markets £m	Total £m	%	Quoted Prices in Active Markets £m	Quoted Prices not in Active Markets £m	Total £m	%
Equity Investments	280.514	583.696	864.210	69%	279.642	552.658	832.300	72%
Debt Instruments	-	243.616	243.616	20%	-	205.858	205.858	18%
Property	-	104.948	104.948	8%	-	93.251	93.251	8%
Derivatives	-	-	-	0%	0.207	-	0.207	0%
Cash	31.245	0.420	31.665	3%	18.542	0.780	19.322	2%
<b>Balance as at 31 March</b>	<b>311.759</b>	<b>932.680</b>	<b>1,244.439</b>	<b>100%</b>	<b>298.391</b>	<b>852.547</b>	<b>1,150.938</b>	<b>100%</b>

## Asset and Liability Matching (ALM) Strategy

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

## Impact on the Council's Cash Flow

The objectives of the fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employer's contributions have been set at 19.3% for 2022/23.

The actuary has estimated the total amount of contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2023 at £24.175m, compared to estimated contributions for 2021/22 of £22.619m.

The assumed weighted average duration of the defined benefit obligation is 19 years.

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, which estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2020. The valuation results have been projected forward to 31 March 2022 based on a range of assumptions.



The significant assumptions used by the actuary were:

<b>Local Government Pension Scheme</b>	<b>At 31 March 2022</b>	<b>At 31 March 2021</b>
<b>Assumptions</b>		
Long term expected rate of return on assets in the scheme:		
Equity investments	2.7%	2.0%
Bonds	2.7%	2.0%
Other	2.7%	2.0%
Cash	2.7%	2.0%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
Men	19.6	19.8
Women	22.4	22.6
Longevity at 65 for future pensioners:		
Men	21.0	21.2
Women	24.5	24.7
Rate of inflation	3.2%	2.9%
Rate of increase in salaries	3.9%	3.6%
Rate of increase in pensions	3.2%	2.9%
Rate for discounting scheme liabilities	2.7%	2.0%
Take up of option to convert annual pension into retirement lump sum		
- for pre April 2009 service	50.0%	50%
- for post April 2009 service	75.0%	75%

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

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

<b>Impact on the Defined Benefit Obligation in the Scheme</b>	<b>Increase in Employer Liability</b>	
	<b>£m</b>	<b>%</b>
0.1% decrease in Real Discount Rate	25.953	2.0%
0.1% increase in the Salary Increase Rate	3.500	0.0%
0.1% increase in the Pension Increase Rate	22.228	2.0%
1 year increase in the member life expectancy	52.057	4.0%

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

## Court of Appeal ruling and regulatory changes

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



When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following a Court of Appeal ruling that similar transitional protections in other Schemes were unlawful on the grounds of age discrimination, there was a clear expectation that restitution would see many more members receiving enhanced benefits. Members in service in 2012 and remaining in active service at the time of the scheme change in 2015, are subject to an 'underpin' which ensures that these members do not lose out from the introduction of the new scheme. The Scheme's liabilities have been valued to include the impact of this ruling, in line with the instructions issued by the Scottish Public Pensions Agency.

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

Following the introduction of the new Single State Pension in April 2016, regulations in relation to the Guaranteed Minimum Pension (GMP) were revised to make pensions schemes responsible for ensuring that the GMP for members reaching state pension age after 6 April 2016 keep pace with inflation. Strathclyde Pension Fund's actuary revised their assumptions on the basis that all increases will be paid for by employers. This has served to increase the value placed on the Scheme's liabilities.

Following a Supreme Court ruling in 2017, all public service pension schemes were required to provide equal survivor benefits for same-sex couples to that provided for widows. Following a recent employment tribunal decision, a Written Ministerial Statement has concluded that female members in opposite sex marriages are treated less favourably than female members in same sex marriage or civil partnership and it is anticipated that regulatory amendments will now need to be made to extend equal survivor benefits to male survivors of female members resulting in additional liabilities for female members who died on or after 5 December 2005. Although no allowance was included in the actuarial valuation in relation to this, the estimated liabilities for 2021/22 have been updated to include the potential impact of this ruling.

## Note 30: Unusable Reserves

	2021/22 £m	2020/21 £m
Revaluation Reserve	165.213	161.834
Capital Adjustment Account	518.424	508.478
Financial Instruments Adjustment Account	(5.987)	(6.769)
Pensions Reserve	(57.450)	(180.577)
Accumulated Absences Account	(11.606)	(14.860)
<b>Total Unusable Reserves</b>	<b>608.594</b>	<b>468.106</b>

### Revaluation Reserve

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

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

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



	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Balance at 1 April	161.834	118.216
Surplus or (deficit) on revaluation of non-current assets posted to the CIES	12.781	52.264
Difference between fair value depreciation and historical cost depreciation	(8.027)	(8.570)
Amount written off to the Capital Adjustment Account	(1.375)	(0.076)
<b>Balance at 31 March</b>	<b>165.213</b>	<b>161.834</b>

### **Capital Adjustment Account**

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

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

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

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Balance at 1 April	508.478	475.158
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	(47.494)	(52.898)
Gains/(losses) on the disposal of non current assets	1.381	(0.001)
Adjusting amounts written out of the Revaluation Reserve	-	8.646
Capital financing applied in the year:		
Adjustments involving the Capital Fund	1.161	1.411
Capital grants and contributions credited to the CIES that have been applied to capital financing	30.242	50.069
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	11.742	12.198
Capital expenditure charged against the General Fund and HRA balances	12.914	13.895
<b>Balance at 31 March</b>	<b>518.424</b>	<b>508.478</b>

### **Financial Instruments Adjustment Account**

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

	<b>2021/22 £m</b>	<b>2020/21 £m</b>
Balance at 1 April	(6.769)	(7.551)
Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.777	0.777
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0.005	0.005
<b>Balance at 31 March</b>	<b>(5.987)</b>	<b>(6.769)</b>



## Pensions Reserve

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

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

	2021/22 £m	2020/21 £m
Balance at 1 April	(180.577)	(122.116)
Actuarial gains/(losses) on pensions assets and liabilities	167.150	(37.620)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(44.023)	(20.841)
<b>Balance at 31 March</b>	<b>(57.450)</b>	<b>(180.577)</b>

## Accumulated Absences Account

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

	2021/22 £m	2020/21 £m
Balance at 1 April	(14.860)	(8.758)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3.254	(6.102)
<b>Balance at 31 March</b>	<b>(11.606)</b>	<b>(14.860)</b>

## Note 31: Related Parties

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

## Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 7.



## Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in the Remuneration Report. During 2021/22 payments to the value of £0.144m were made to voluntary organisations/charities in which 2 members had an interest as committee members. Details of all member interests are recorded in the Register of Members' Interest, available on the Council's website.

## Officers

The Chief Executive of North Ayrshire Council and the Director of Communities are Directors in North Ayrshire Ventures Trust. There is no remuneration associated with these positions. Details of the Council's interests in these organisations are outlined in the Group Accounts at Note 38.

## North Ayrshire Integration Joint Board

The North Ayrshire Integration Joint Board was established on 1 April 2015 as a partnership between North Ayrshire Council and NHS Ayrshire and Arran and is responsible for planning and overseeing the delivery of a full range of community health and social work/social care services, including those for older people, adults, children and families, people in the Criminal Justice System and allied health professions. In the year 2021/22 the following North Ayrshire Council financial transactions were made with North Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2021/22 £m	2020/21 (restated) £m
Contribution made to North Ayrshire IJB	107.059	99.897
Commissioning income received from North Ayrshire IJB	132.167	125.782
North Ayrshire IJB balance due (to)/from the Council	20.228	4.957

The balance due (to)/from the Council reflects the year end variance on health and social care activities. For 2021/22 income exceeded expenditure by £22.548m which has been earmarked by the IJB. This is partly offset by the outstanding IJB deficit, which now stands at £2.320m. The 2020/21 figures have been restated to include the impact of the funds earmarked by the IJB during 2020/21.

## Other Public Bodies

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

In addition, the Council received grants and income from other public bodies in 2021/22 as follows:

- Ayrshire & Arran Health Board (Health Resource Transfer) – grants and income of £22.620m

## Other entities controlled or significantly influenced by the Council

Details of all other public bodies in which the Council has a significant interest are explained in the Group Accounts at Note 38.



## Note 32: Contingent Liabilities

At 31 March 2022, the Council had identified a number of material contingent liabilities:

1. In March 2012 the Supreme Court judgement in the Employers' Liability Policy Trigger Litigation ruled that Municipal Mutual Insurance (MMI) will be held liable for asbestos related cases up to 30 September 1992 when they ceased writing employee liability business and went into run off. Although the company is still considering the overall liability position, it has now been confirmed that 'clawback' arrangements will be activated in relation to claims paid. The Council has an earmarked balance of £0.459m in the Insurance Fund to accommodate known claims and actual and estimated settlement costs in this respect. However, there is the possibility that further claims may emerge resulting in a future liability.
2. The Council has provided a letter of financial guarantee in relation to the Scottish Maritime Museum Trust future pension fund liability for £0.177m (with the potential for this to rise to £0.376m). The guarantee avoids the Scottish Maritime Museum Trust's pension fund liability becoming due when the one remaining active member of the pension scheme within the Trust leave or retire. While the Trust continues to trade it will make annual payments to the Pension Fund to reduce this debt over a number of years. There is no direct additional cost to the Council through this guarantee, although the Council is exposed to a potential risk that could increase its overall pension liability by any pension deficit sum not cleared by the Trust.
3. The Limitation (Childhood Abuse) (Scotland) Act 2017 received royal assent on 28 July 2017. The principal effect of the legislation is to remove the three year time bar on survivors of abuse bringing forward claims for compensation. This would apply for all claims from 1964 onwards and there is a potential cost to the Council in respect of claims which may arise under the legislation.
4. Following significant progress in the settlement of Equal Pay claims, the Council has been notified of a number of new claims in relation to the validity and implementation of the Job Evaluation Scheme within North Ayrshire Council. Although there is a potential for significant costs associated with the settlement of such claims, it is not currently possible to determine either the probability of any liability being upheld by an Employment Tribunal or the potential costs of a successful claim.
5. Within these financial statements, North Ayrshire Council has recognised a debtor owed by the Scottish Government of £3.6m in respect of income for European Structural Fund (ESF) projects. On 24 May 2019, the Council was notified that all current payments under the ESF programme in Scotland had been suspended by the European Commission due to audit concerns. This suspension remains in place however we are continuing to submit claims to Scottish Government for processing and working towards the project end date of 31<sup>st</sup> December 2022. It is estimated that North Ayrshire Council's risk exposure in relation to these claims is low.
6. The EU programme ends on 31<sup>st</sup> December 2022 and resources are committed until this date to support staff and contracts with the delivery of the Poverty & Social Inclusion and Employability pipeline programmes.
7. The impact of the Covid-19 pandemic restrictions on the construction industry, combined with supply and inflation issues across the industry, has resulted in significant pressures for contractors who entered fixed price contracts prior to 2021/22. The Council is not contractually liable for any additional payments; however, this may be subject to challenge. The level of volatility may also impact on current and future projects as contractors may be less willing to enter into further fixed price contracts.

## Note 33: Events after the Balance Sheet Date

The audited accounts were authorised for issuing on 15 November 2022 by the Head of Finance. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following Local Government Elections on 5 May 2022 and associated boundary changes, the administration of North Ayrshire Council has changed with the Scottish National Party forming a minority administration.



## Notes to the Cash Flow Statement

### Note 34: Cash Flow – Operating Activities

Net cash flow from Operating Activities	2021/22 £m	2020/21 £m
Net cash inflow from revenue activities	(73.967)	(90.320)
Interest received	(0.060)	(0.086)
Interest paid	18.760	19.199
<b>Total</b>	<b>(55.267)</b>	<b>(71.207)</b>

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

Non-cash Movements	2021/22 £m	2020/21 £m
Depreciation and Impairment	(55.442)	(52.626)
Amortisation	(0.079)	(0.272)
Movement in Pension Liability	(44.023)	(20.841)
Increase / (Decrease) in Inventories	0.715	0.311
Increase / (Decrease) in Debtors	21.647	15.204
(Increase) / Decrease in Bad Debt Provision	(2.056)	(4.836)
(Increase) / Decrease in Creditors	(19.349)	(27.526)
Carrying amount of non current assets sold	(4.388)	(0.269)
Other non cash items charged to the net surplus or deficit on the provision of services	0.105	1.377
<b>Total</b>	<b>(102.870)</b>	<b>(89.478)</b>

Investing and Financing activities	2021/22 £m	2020/21 £m
Proceeds from sale of non current assets	4.394	0.268
Capital Grants	30.242	50.069
<b>Total</b>	<b>34.636</b>	<b>50.337</b>

### Note 35: Cash Flow – Investing Activities

Net cash flow from Investing Activities	2021/22 £m	2020/21 £m
Purchase of property, plant and equipment, investment property and intangible assets	89.720	84.236
Proceeds from short term and long term investments	-	(20.356)
Purchase of Short Term and Long Term Investments	5.977	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4.394)	(0.268)
Other receipts from investing activities	(30.242)	(50.069)
<b>Total</b>	<b>61.061</b>	<b>13.543</b>



## Note 36: Cash Flow – Financing Activities

Net cash flow from Financing Activities	2021/22 £m	2020/21 £m
Cash receipts of short term and long term borrowing	(25.000)	(20.000)
Cash payments for the reduction of the outstanding liabilities relating to PPP/NPD contracts	3.825	5.496
Repayments of short and long term borrowing	19.457	48.033
<b>Total</b>	<b>(1.718)</b>	<b>33.529</b>

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

Cash and cash equivalents	2021/22 £m	2020/21 £m
Cash held by officers	0.007	0.007
Bank current accounts	(1.670)	(2.346)
Short-term deposits	27.499	32.251
<b>Total</b>	<b>25.836</b>	<b>29.912</b>

## Notes to the Group Accounts

### Note 38: Notes to the Group Accounts

The Code of Practice on Local Council Accounting in the United Kingdom 2020/21 (The Code) requires local authorities to consider their interests in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as transport authorities and Valuation Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The financial statements in the Group Accounts of North Ayrshire Council are prepared in accordance with the accounting policies set out in Note 42, with the additions and exceptions shown below.

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

#### Retirement Benefits

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

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

#### Valuation of Property, Plant and Equipment

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



	Common Good £m	Trust Funds £m	NAVT £m	2021/22 £m	Common Good £m	Trust Funds £m	NAVT £m	2020/21 £m
<b>Cost or Valuation</b>								
<b>Balance at 1st April</b>	<b>2.045</b>	<b>0.145</b>	<b>1.837</b>	<b>4.027</b>	<b>2.072</b>	<b>0.145</b>	<b>1.853</b>	<b>4.070</b>
Revaluations increases / decreases recognised in the Revaluation Reserve	(0.090)	-	0.160	0.070	(0.027)	-	0.054	0.027
Derecognition - Disposals	-	-	-	-	-	-	(0.070)	(0.070)
<b>Balance at 31 March</b>	<b>1.955</b>	<b>0.145</b>	<b>1.997</b>	<b>4.097</b>	<b>2.045</b>	<b>0.145</b>	<b>1.837</b>	<b>4.027</b>

## Depreciation

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

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

## Inventories

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

## Consideration for Acquisition of Associates' Net Assets or Liabilities

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

## Basis of Consolidation

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

All entities have the same reporting date as the Council.

## Restrictions on transfer of funds

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



## Combining Entities

### Subsidiaries

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

The Group Comprehensive Income and Expenditure Statement on page 41 includes net comprehensive expenditure for the year of £0.048m.

The Group Balance Sheet on page 43 includes net assets of £12.518m in relation to these bodies.

Further details for each entity are as follows:

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

	% Share	2021/22				2020/21			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m	Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m
Common Good Funds	100%	4.055	-	(0.142)	(0.018)	4.127	-	(0.121)	(0.011)
Trust Funds	100%	0.521	-	(0.016)	(0.004)	0.517	-	(0.013)	(0.008)
North Ayrshire Ventures Trust	100%	8.146	(0.204)	(0.334)	0.127	8.387	(0.465)	(0.413)	-

### Associates

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

North Ayrshire Leisure Ltd's annual accounts for the period ended March 2022 are not available at this time. The Group accounts have been prepared using the North Ayrshire Leisure Ltd annual accounts for the period ended March 2021.

The Group Comprehensive Income and Expenditure Statement on page 41 includes net comprehensive income for the year of (£1.989m).

The Group Balance Sheet on page 43 includes net assets of £31.939m in relation to these bodies.

Further details for each entity are as follows:



<b>Associate</b>	<b>Nature of Body</b>	<b>Accounts available from</b>
North Ayrshire Leisure Ltd	Provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in North Ayrshire. North Ayrshire Council have an agreement in place whereby they will pay for any redundancy or early retirement costs incurred by NALL. 44.95% of NALL's income is received from the customers who use the Leisure facilities	North Ayrshire Leisure Limited, 22 Quarry Road, Irvine, KA12 0TH
Strathclyde Partnership for Transport	Regional transport partnership for the West of Scotland	Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow, G2 5JF
Strathclyde Concessionary Travel Scheme Joint Board	Oversees the operation of the Concessionary Fares scheme for public transport in the West of Scotland	Strathclyde Concessionary Travel Scheme, Strathclyde Passenger Transport, 131 St Vincent Street, Glasgow, G2 5JF
Ayrshire Valuation Joint Board	Maintains the electoral, council tax and non-domestic rates registers for the three councils of North Ayrshire, East Ayrshire and South Ayrshire	Ayrshire Valuation Joint Board, 9 Wellington Square, Ayr, KA7 1HL

	% Share	2021/22				2020/21			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m	Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m
North Ayrshire Leisure Ltd	47.8%	0.903	(0.295)	(3.781)	0.583	0.978	(2.565)	(3.954)	0.317
Strathclyde Partnership for Transport	6.0%	30.242	(1.170)	(3.507)	(0.431)	28.186	(1.360)	(3.535)	(0.527)
Strathclyde Concessionary Travel Scheme Joint Board	7.1%	0.362	(0.038)	(0.288)	(0.080)	0.258	(0.014)	(0.286)	(0.193)
Ayrshire Valuation Joint Board	36.3%	1.990	(0.055)	(0.950)	0.192	1.156	(0.069)	(1.086)	(0.066)

### Joint Ventures

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

The Group Comprehensive Income and Expenditure Statement on page 41 includes net comprehensive income for the year of (£11.360m) representing a 50% share of the reported surplus of the North Ayrshire Integration Joint Board based on the agreed share of control.

The Group Balance Sheet on page 43 includes net assets of £14.616m in relation to these bodies.

Further details for this entity is as follows:



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

	% Share	2021/22				2020/21			
		Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m	Share of Assets £m	Share of Liabilities £m	Share of Revenues £m	Share of (Profit)/Loss £m
North Ayrshire Integration Joint Board	50%	15.777	(1.161)	(165.679)	(10.738)	5.160	(1.904)	(154.458)	(5.056)

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

	North Ayrshire Leisure Limited £m	Strathclyde Partnership for Transport £m	Strathclyde Concessionary Travel Scheme Joint Board £m	Ayrshire Valuation Joint Board £m	North Ayrshire Integration Joint Board £m	Total £m
Investment in Associates and Joint Ventures	0.608	29.072	0.324	1.935	14.616	46.555

#### Non-material interests in other entities

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



## Accounting Policies and Assumptions

### Note 39: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The financial statements contain estimated figures that are based on assumptions made by the Council about which there is a degree of uncertainty. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the pension increase rate assumption would result in an increase in the pension liability of £22.228m. However, the assumptions interact in complex ways.
Collection Levels of Arrears	At 31 March 2022, the Council had a balance of trade debtors of £46.546m. A review of significant balances suggested that an allowance for potential impairment losses of 11% (£5.092m) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase in the amount of potential impairment losses would require an additional amount of £0.509m 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 properties including Council houses would increase by £5.511m if useful lives were reduced by one year.

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

The Code requires the Council to disclose information about accounting changes that will be required by new accounting standards in the 2022/23 Code due to be adopted in future years and the possible impact.

For the 2021/22 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

**IFRS 16 Leases** supersedes IAS 17 Leases and is being applied by the Code 1 April 2022/23. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, the Council have elected to utilise the capitalisation threshold of £10,000 to determine the assets to be disclosed. The Council expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the Code for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Balance Sheet as (i) right of-use assets which represent the Council's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.



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

The Council has assessed the likely impact to i) comprehensive net expenditure and ii) the Balance Sheet of applying IFRS 16. The figures below represent existing leases as at 31 March 2022.

The standard is expected to increase total expenditure by £0.108 million. Right-of-use assets totalling £0.323 million will be brought onto the Balance Sheet, with an associated lease liability of £0.323 million.

**Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:**

**IFRS 1 (First-time adoption)** – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

**IAS 37 (Onerous contracts)** – clarifies the intention of the standard

**IFRS 16 (Leases)** – amendment removes a misleading example that is not referenced in the Code material

**IAS 41 (Agriculture)** – one of a small number of IFRS that are only expected to apply to local authorities in limited circumstances.

**IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)** – amendment relates to proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended.

In all cases detailed above, implementation is required from 1 April 2022 or beyond, meaning that there is no impact on the 2021/22 financial statements.

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

In applying the accounting policies set out in Note 42, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are:

- There is a high degree of uncertainty about future levels of funding for local government. Under the Council's Medium Term Financial Plan and Long Term Financial Outlook, a potential funding gap of £81.8m has been identified for the period to 2030/31. Through the development of robust financial planning and management to ensure that resources are targeted at key priorities, the Council has determined that any uncertainty over future funding is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The long term impact of the Covid pandemic on the local economy and the wider international impacts arising from the war in Ukraine have resulted in significant volatility in supply chain costs and contractor availability in relation to the energy, food, fuel and construction sectors. This is likely to impact both on the costs of providing services and in the demand for services from North Ayrshire residents going forward. The Council continues to monitor the situation carefully and has determined that the potential increase to operating costs is not yet sufficient to indicate that the assets of the Council might be impaired or that service levels may be reduced.
- The Council has up to a maximum of 4 trustees out of 9 in total for North Ayrshire Leisure Limited, a charitable organisation that operates the leisure facilities owned by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council. The Trust is, however, incorporated as an Associate within the Group Accounts presented on pages 41-44.



- The Council has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and can be measured reliably. Where it has not been possible to measure the obligation material contingent liabilities have been disclosed in Note 32
- The Council has entered into Private Finance Initiatives, Non Profit Distributing Models and similar contracts for the provision of educational buildings, their maintenance and related facilities, and a share in a contract for waste recycling, recovery and treatment. The Council has determined that it controls the services provided under the contracts and the residual value of the schools at the end of the agreements. The accounting policies relating to PPP / NPD and similar contracts have been applied to these arrangements and the assets under the contracts are recognised as PPE on the Council's Balance Sheet.

## Note 42: Accounting Policies

### General Principles

The Accounts summarise the Council's transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

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

### A Accruals of Income and Expenditure

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

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

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

### B Allocation of Central Support Costs and Recharges to Capital

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

### C Cash and Cash Equivalents

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

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



## D Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

## E Charges to Revenue for Non-Current Assets

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

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

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

## F Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

### Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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



### The Local Government Pension Scheme

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

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

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

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

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

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

#### Service Costs:

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

#### Remeasurements:

- Return on plan assets – excludes amounts included in net interest on the net defined liability (asset). This is

charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

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

#### Discretionary Benefits

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

## **G Events After the Reporting Period**

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

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

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



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

## H Financial Instruments

### Financial Liabilities

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

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

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

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

### Financial Assets

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

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

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

### Financial Assets Measured at Amortised Cost

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

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

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

### Expected Credit Loss Model

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

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

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

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



#### Financial Assets Measured at Fair Value through Profit and Loss

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

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

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

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

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

#### **I Government Grants and Contributions**

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

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

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

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

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

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

#### **J Heritage Assets**

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

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

#### Measurement

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

#### Disclosure

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

#### **K Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (generally between 5 and 10 years) to the relevant service line(s) in the CIES.

#### **L Interest in Companies and Other Entities**

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



## M Internal Transactions

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

## N Inventories

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

## O Investment Properties

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

## P Leases

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

### The Council as Lessee

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

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

### The Council as Lessor

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

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

## Q Property, Plant and Equipment

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

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

### Recognition

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

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

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

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

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

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

- Council Dwellings - Fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Other Land and Buildings - Fair value, determined by the amount that would be paid for the asset in its existing use (existing use value - EUV).
- Vehicles, Plant and Equipment - depreciated historical cost



- Infrastructure Assets - depreciated historical cost
- Community Assets - depreciated historical cost
- Surplus Assets - fair value based on market value in highest and best use
- Assets Under Construction - historical cost
- Investment Properties (Common Good and Trusts only) - fair value based on market value in highest and best use

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

Assets included in the Balance Sheet at fair value are revalued on a rolling 5-year programme, with the exception of Surplus Assets and Investment Properties which are revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

#### Impairment

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

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

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

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

#### Depreciation

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

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

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

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

#### Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Property, land and buildings are classified as 'held for sale' when the following criteria are met:

- The property is available for sale in its present condition;
- The sale is highly probable;



- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale is expected to qualify for recognition as a completed sale within one year.

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

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

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

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

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

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

- Service charges and lifecycle replacement costs – value of services including cleaning and janitorial services, repairs and maintenance, energy, non domestic rates and insurances debited to the relevant service in the CIES;
- Interest payments – the interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- Liability repayment– repayment of the principal owed to the PPP operator, applied to write down the Balance Sheet liability.

#### S Provisions, Contingent Liabilities and Contingent Assets

##### Provisions

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

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

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

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

##### Contingent Liabilities

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

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



#### Contingent Assets

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

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

#### **T Reserves**

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

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

#### **U Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **V VAT**

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

#### **W Fair Value Measurement**

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

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

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

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

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

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



## Glossary of Terms

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

### **Accruals**

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

### **Actuarial Gains or Losses**

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

### **Amortisation**

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

### **Assets**

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

### **Capital Expenditure**

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

### **Capital Financing**

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

### **Capital Receipt**

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

### **Community Assets**

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

### **Contingent Assets / Liabilities**

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

### **Creditors**

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

### **Debt Instruments**

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

### **Debtors**

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



### **Defined Benefit Pension Scheme**

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

### **Depreciation**

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

### **Entity**

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

### **Equity Investments**

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

### **Fair Value**

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

### **Financial Instrument**

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

### **General Fund**

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

### **Group Accounts**

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

### **Housing Revenue Account (HRA)**

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Inventories**

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

### **Liabilities**

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

### **Net Book Value**

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



## Pension Scheme Liabilities

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

## Provisions

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

## Public Works Loan Board (PWLB)

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

## Remuneration

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

## Reserves

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

## Revaluation

Revaluations are adjustments to the value of an asset to align the carrying value of an asset to an independent assessment of the asset's fair value.

## Revenue Expenditure

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