



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

North Ayrshire Council

A Special Meeting of North Ayrshire Council will be held remotely on **Wednesday, 23 June 2021** at **14:00** to consider the undernoted business.

Arrangements in Terms of COVID-19

In light of the current COVID-19 pandemic, this meeting will be held remotely in accordance with the provisions of the Local Government (Scotland) Act 2003. Where possible, the meeting will be live-streamed and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>. In the event that live-streaming is not possible, a recording of the meeting will instead be available to view at this location.

1 Apologies

2 Declarations of Interest

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

3 Remediation of Land at North Shore Ardrossan

Submit report by the Director (Growth and Investment) on proposals to remediate the long-standing contamination of the land at Ardrossan North Shore which will facilitate and support the development of a new community campus on the site (copy enclosed).

4 North Ayrshire Council Unaudited Annual Accounts 2020/21

Submit report by the Head of Finance on the unaudited Annual Accounts for the year to 31 March 2021 (copy enclosed).

- 5 Treasury Management and Investment Annual Report 2020/21**
Submit report by the Head of Finance on the Treasury Management and Investment Annual Report and Prudential Indicators for 2020/21 (copy enclosed).
- 6 North Ayrshire Charitable Trusts: Unaudited Trustees' Annual Report 2020/21**
Submit report by the Head of Finance to present the unaudited Trustees' Annual Report for the year to 31 March 2021 to the Council, as trustees, for approval (copy enclosed).
- 7 Appointment of Monitoring Officer and Proper Officer**
Submit report by the Chief Executive to appoint the incoming Head of Democratic Services as the Council's Monitoring Officer in terms of the Local Government and Housing Act 1989 and to note their appointment as Proper Officer of the Council in terms of the Local Government (Scotland) Act 1973 (copy enclosed).
- 8 Remote/Hybrid Meetings: Next Phase**
Submit report by the Head of Democratic Services to present to the Council information on, and options for, the introduction of hybrid committee meetings (copy enclosed).
- 9 Urgent Items**
Any other items which the Chair considers to be urgent.

Webcasting - Virtual Meeting

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North Ayrshire Council Sederunt

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Davina McTiernan
Tom Marshall
Jimmy Miller
Jim Montgomerie
Ian Murdoch
Donald Reid
Donald L Reid
Angela Stephen
John Sweeney

Chair:

Apologies:

Attending:

NORTH AYRSHIRE COUNCIL

23rd June 2021

North Ayrshire Council

Title:	Remediation of land at Ardrossan North Shore
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Purpose:	To provide an update to Council on proposals to remediate the long-standing contamination of the land at Ardrossan North Shore which will facilitate and support the development of a new community campus on the site.
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Recommendation:	That Council notes the proposals for site remediation.
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1. Executive Summary

- 1.1 At the Council meeting on 25 September 2019, the Chief Executive undertook to arrange for a report to be submitted to a future meeting of Council on the detailed arrangements for the remediation of the North Shore, Ardrossan, site. This report provides this update on proposals for the remediation of land at Ardrossan North Shore prior to the sites' development for a new community campus, as well as residential and commercial use.
- 1.2 The contaminants present on the site are largely hydrocarbons from the former oil refinery and there are no unusual conditions which limit the use of the site following standard and well-tested remediation measures to remove any risks. The proposals for the remediation of the site have been informed by extensive site investigations, and will see removal of contaminated material, the use of new material to bring the site up to an appropriate ground level and to provide a cap, and the use of further barriers or membranes. The site will be remediated to a residential standard, which would for example allow crops to be safely grown on it if required. The proposals represent a belt and braces approach which will make the site suitable for use and limit risk to human health. They will also involve considerable betterment of the site given its currently untreated form.
- 1.3 The proposed remediation strategy has been developed by an environmental consultant, informed by discussions with the Scottish Environment Protection Agency and the Councils Contaminated Land Officer.
- 1.4 Programmes for construction work indicate that the remediation works will take around 9 months to complete, commencing in spring 2022.

2. Background

- 2.1 Land at Ardrossan North Shore is one of the areas' highest profile derelict sites given its size and central location within Ardrossan. The principal former use of the site was the Shell Oil refinery, and the site has been vacant since the closure of the refinery in the mid-1980s.
- 2.2 The Council propose to develop a new community education campus on the site, including a relocated Ardrossan Academy and Winton Primary, early years provision, swimming pool, library and accommodation for health and social care staff. The site will also accommodate residential and commercial development, and the proposed Marine Sciences Centre funded through the Ayrshire Growth Deal.
- 2.3 Consultation on the proposal to relocate the education facilities to the site was undertaken in 2019 and approval was granted to proceed with the proposal on 8 June 2020.
- 2.4 A Development Framework, which sets out the proposed layout or use of land on the site was approved by the Council's Planning Committee on 28th April 2021.
- 2.5 Members have previously been updated on proposals for the remediation of the site, and a draft remediation strategy was published on the Council's website in November 2019 as part of a commitment to transparency on the proposals.

Site Conditions

- 2.6 Several site investigations have been carried out across the Ardrossan north shore development site. There is extensive information available in relation to site conditions, with the most recent site investigations in 2019 alone seeing 77 intrusive trial pits on the site and 155 soil samples taken, with the results of these published online. Appendix 1 notes the extent of previous investigations carried out within the site.
- 2.7 Since the publication of those site investigation results in late 2019, additional investigations have been undertaken including further sampling of the stockpiles which exist on the site, the monitoring of ground gas emissions, and site investigations on the Coast to Coast garage site which will also be included within the proposed development site.
- 2.8 As illustrated by these reports, the previous industrial use of the site has resulted in a not unexpected legacy of ground contamination. The contamination issues identified at the site primarily relate to hydrocarbon (oil) contamination of soils, and the presence of a floating hydrocarbon layer on groundwater at the site. In addition, an elevated presence of metals is also noted to be present. With respect to the areas identified as containing higher levels of contamination these are generally concentrated in the central and south eastern areas of the site as illustrated by the plans within Appendix 2.
- 2.9 To allow its development, the site will clearly require remediation to address this soil and groundwater contamination.

Proposals for Site Remediation

- 2.10 The approach proposed within the site remediation strategy has been developed by Envirocentre, an environmental consultant with extensive experience of the sites' ground conditions. The non-technical summary of the strategy is attached at Appendix 2. The development of this has included discussion with the Scottish Environment Protection Agency (SEPA) and North Ayrshire Council's Contaminated Land Officer. The Council are the regulatory or decision-making body on proposals for the site given that it is contaminated land. SEPA are a key consultee and expert organisation with responsibility for protection of the environment. The proposals will also be considered as part of the Planning process.
- 2.11 The proposed remediation strategy has incorporated the measures required to make the site suitable for its intended use. This includes the removal of contaminants of concern to ensure protection of human health and to ensure that there is no release of hazardous materials to the local water environment.
- 2.12 The remediation strategy for the site will generally include the following works:
- Removal or Treatment of Contaminants
- Removal of contaminants through the excavation of areas of soil which are known to be contaminated with hydrocarbons, followed by sampling and laboratory testing of remaining ground to confirm that the excavation has removed the materials of risk.
 - Removal of hydrocarbons (oil sheen) from groundwater at the site through the skimming and then offsite removal of oil.
 - Treatment of contaminated soils to address the risks from the material where possible (i.e. through bioremediation). This will be informed by initial small-scale trial tests on contaminated soils to identify the most effective measures for addressing the soil contamination.
- Provision of new site material
- Infilling of excavated areas with material that is proved suitable for use via laboratory testing.
 - Environmental capping (i.e. upfilling) of areas of proposed soft landscaping with soils shown to be suitable for such use by laboratory testing. The upfilling depth will be designed with respect to the final land use of the area but will generally be at a depth of 60cm across the site.
- Use of Barriers to any residual contaminants
- Installation of hydrocarbon and ground gas resistant membranes in the footprint areas of all buildings built on the site.
 - All water supply pipes, and utility service connections will be suitably specified for the purpose of protection.
- 2.13 The approach therefore demonstrates a 'belt and braces' approach through the removal of known contaminants, and the treatment of the site through a combination of new site material and membranes. The improvement of the site will represent considerable betterment, given that public access is currently taken across the site in its untreated form.

- 2.14 The implementation of the works by a contractor will also require to consider the mitigation of any nuisance, for example any smells or airborne dust that could occur. This will be undertaken through a construction method statement and the onsite management of material, and for example by sealing stockpiles, 'wetting down' material to restrict any dust production, and if required the onsite use of odour management controls.
- 2.15 In terms of risk, the implementation of the site remediation strategy will address risks to public health to ensure that the site is suitable for the proposed use. In practice, the concentrations of contaminants that people are routinely exposed to on a day to day basis (i.e. volatiles generated during fuelling a car) will be significantly greater than the remedial targets that will be achieved and utilised to ensure the site is suitable for use.
- 2.16 The requirements set out in the remediation strategy do not place any constraints on the design or operation of the proposed education campus. The site will be designed to meet the requirements of residential and educational use, which would for example allow the growing and consumption of plants should that be a feature of the school curriculum.

3. Proposals

- 3.1 It is envisaged that remediation works will commence in Spring 2022, and that the remediation of the site will take around 9 months.
- 3.2 All remedial works will be witnessed, documented, monitored and numerous samples collected for analysis by a laboratory to ensure that the remedial works are being completed as agreed with the Council's Environmental Health Service, and SEPA. This will result in the production of a Validation Report completed by a suitably qualified environmental consultant, with verification reports submitted to both the Council and SEPA.
- 3.3 It is recommended that Council notes the proposals for site remediation and the publication of proposals online to ensure transparency.

4. Implications/Socio-economic Duty

Financial

- 4.1 Costs will be met from allocated capital budgets, including the Vacant and Derelict Land Fund.

Human Resources

- 4.2 The development and implementation of site infrastructure works including remediation, the improvement of the sea wall, roads, etc will be managed by a dedicated project manager following a recruitment process.

Legal

- 4.3 The site remediation strategy has been prepared by an Environmental Consultant, who will require to provide a warranty for site works and a validation process which will provide cover on site conditions following the completion of construction works for a specified period of time, usually 12 years from completion of site works.

Equality/Socio-economic

- 4.4 The proposals will bring a long term vacant and derelict site into beneficial use. This will have significant socio-economic benefits for the local community through the provision of a new community campus and other proposals.

Environmental and Sustainability

- 4.5 The proposals for the remediation of the site will involve considerable environmental benefit or betterment, in removing known contaminants within the site and the provision of new clean material to allow the sites development and safe use.

Key Priorities

- 4.6 The site remediation proposals will help contribute to several of the Council Plan key priorities including:
- Inclusive, growing, and enterprising local economy
 - People enjoy good life-long health and well-being
 - Effective infrastructure and digital connectivity
 - Affordable, modern, and well-designed homes that meets residents' needs
 - Vibrant, welcoming, and attractive places; and,
 - A sustainable environment

Community Wealth Building

- 4.7 The site remediation proposals will contribute to the Community Wealth Building objective of making the best use of our land and assets.

5. Consultation

- 5.1 The Scotland and Northern Ireland Forum for Environmental Research (SNIFFER) published an advice on note titled 'Communicating Understanding of Contaminated Land Risks' in May 2010 and the contents of this have been considered. It recognises the emotive issue that the development of contaminated land can become, given the potentially serious implications of the problem. It encourages transparency with information on site conditions, the use of simple language and diagrams, and direct communication with key stakeholders.

- 5.2 The publication of the most recent site remediation strategy further represents the Council's commitment to transparency. Recent consultation on the development framework for the north shore site encouraged interested parties to engage with Council officers and made the offer of one to one meetings. Contacts through that process have been informed of the publication of the updated site remediation strategy and officers have met with representatives of a residents group concerned over site contamination.
- 5.3 Local groups or residents will be offered attendance at further drop-in sessions where they can hear directly from the environmental consultant advising the Council on the site remediation strategy. Regular communication with local communities will be an ongoing feature of the development of the north shore site.

Karen Yeomans
Director, Growth & Investment

For further information please contact **Alasdair Laurenson, Senior Manager**, on 01924 324030.

Background Papers

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Appendix 1 – Previous Site Investigations

- EnviroCentre; Ardrossan Development Site 2019 Site Investigation – Interpretative Report, August 2019
- EnviroCentre; Detailed Delineation Investigation; Ardrossan Phase I (Northern and Southern Corners), April 2011 (Ref. 4417);
- Fairhurst; Proposed Developers Package, July 2010;
- EnviroCentre Detailed Delineation Investigation; Ardrossan Phase I, December 2008 (Ref. 3585);
- EnviroCentre Remediation Strategy: Ardrossan Main Site, July 2008 (Ref 3319);
- EnviroCentre Draft Remedial Strategy, Ardrossan Former Shell Bitumen Terminal, November 2006 (Ref 2970);
- Mason Evans, Ardrossan Phase II, Hydrocarbon Remediation Report, June 2006;
- Arup Revised Conceptual Site Model, September 2006 (Ref 118692/PR);
- Arup, Ardrossan Bitumen Terminal Investigation and Remediation Strategy, March 2001;
- Shell UK Ltd, Ardrossan Bitumen Terminal, Risk Assessment Report, May 2000;
- Shell UK Ltd, Ardrossan Bitumen Terminal, Factual Report Volume 1, Text and Figures, 1999;
- Raeburn Drilling & Geotechnical, Report on Ground Investigation, July 1995;
- Fairhurst, 20800 Shell Bitumen, Ardrossan, Treatment of Contamination, July 1991.



Ardrossan North Shore Site Investigation Non-Technical Summary



May 2021

Ardrossan North Shore Site Investigation

Non-Technical Summary

Client: Ardrossan North Shore LLP

Document number: 8754NTS

Project number: 171301j

Status: Final

Author: Graeme Duff

Reviewer: Campbell Stewart

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Glasgow

Craighall Business Park
8 Eagle Street
Glasgow
G4 9XA
0141 341 5040
info@envirocentre.co.uk
www.envirocentre.co.uk

Aberdeen

Banchory Business
Centre
Burn O'Bennie Road
Banchory
AB31 5ZU
01330 826 596

Inverness

Alder House
Cradlehall Business Park
Inverness
IV2 5GH
01463 794 212

Edinburgh

Suite 114
Gyleview House
3 Redheughs Rigg
Edinburgh
EH12 9DQ
0131 516 9530

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- C Coast to Coast Figure

1 INTRODUCTION

In April 2019, Ardrossan North Shore LLP appointed EnviroCentre Ltd to design and oversee a Phase II Geo-Environmental Site Investigation at the Ardrossan Development Site to inform the proposed redevelopment of the site for use as a new community education campus with associated playing fields and playground areas. The site will also incorporate residential and commercial development.

The site investigation works were undertaken by Dunelm Geotechnical and Environmental Limited in two separate phases. This document forms a Non-Technical Summary (NTS) of the findings of Geo-Environmental Site Investigation works undertaken on behalf of Ardrossan North Shore LLP in 2019. The works were undertaken at the Ardrossan North Shore development site as detailed in Figure 1 in Appendix A.

Following on from the 2019 investigations, the results of which were published in late 2019, additional works have been carried out in 2020 and 2021 incorporating:

- Environmental monitoring (groundwater, ground gas and volatile monitoring) completed in 2020.
- Production of Remedial Strategy Document and discussion with North Ayrshire Council Contaminated Land Officer and SEPA completed in 2020.
- Assessment of existing soil stockpiles on site completed in 2021.
- Assessment of sediment quality in adjacent proposed marina development area with respect to potential use as infill on the Ardrossan North Shore site completed in February 2021.
- Site investigation works of the Coast to Coast site which is to form part of the development site, completed in April 2021.

1.1 Site History

The Ardrossan development site lies on land which was reclaimed from the sea in two stages, the first stage of reclamation occurred between 1855 and 1897, with the site being extended behind a new sea wall in the 1940's. From the mid 1920's until the 1970's the site was used for the production of bitumen and the handling of crude oil, fuel oils and aviation fuel. The site was decommissioned between 1986 and 1989.

A number of previous site investigations have been carried across the Ardrossan development site. The key previous investigations are listed below:

- EnviroCentre Detailed Delineation Investigation; Ardrossan Phase I (Northern and Southern Corners), April 2011 (Ref. 4417);
- Fairhurst; Proposed Developers Package, July 2010;
- EnviroCentre Detailed Delineation Investigation; Ardrossan Phase I, December 2008 (Ref. 3585);
- EnviroCentre Remediation Strategy: Ardrossan Main Site, July 2008 (Ref 3319);
- EnviroCentre Draft Remedial Strategy, Ardrossan Former Shell Bitumen Terminal, November 2006 (Ref 2970);
- Mason Evans, Ardrossan Phase II, Hydrocarbon Remediation Report, June 2006;
- Arup Revised Conceptual Site Model, September 2006 (Ref 118692/PR);
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- Shell UK Ltd, Ardrossan Bitumen Terminal, Risk Assessment Report, May 2000;
- Shell UK Ltd, Ardrossan Bitumen Terminal, Factual Report Volume 1, Text and Figures, 1999;
- Raeburn Drilling & Geotechnical, Report on Ground Investigation, July 1995; and

- Fairhurst, 20800 Shell Bitumen, Ardrossan, Treatment of Contamination, July 1991.

The previous industrial use of the site has resulted in a legacy of ground contamination. The contamination issues historically identified at the site are primarily related to hydrocarbon contamination of soils, and the presence of a free phase (i.e. not dissolved, but visually distinct from water) floating hydrocarbon layer on groundwater at the site. In addition, elevated metals are also noted to be present in soils.

1.2 Objectives

The 2019 site investigation was designed in line with British Standard BS10175: 2011+A2 2017 ('Investigation of Potentially Contaminated Sites').

The objectives of the site investigation were to:

- Determine the presence, concentration/levels and distribution of contaminants, based on a conceptual model of the site.
- Consider the ground and groundwater conditions which may influence contaminant movement i.e. how is the water moving within the soils and how does this affect the movement of the contamination
- Characterise potential pathways in terms of migration and potential attenuation i.e. how can the contaminants move within the site and affect site users or other sensitive issues like the water environment, and what natural processes help reduce the contaminant levels.
- Determine whether the pollutant linkages identified are significant and therefore whether the site is suitable for its intended use i.e. does the contamination present pose a real risk to site users, the buildings or environment?.
- Determine the requirements for remediation (where significant pollutant linkages are identified), including the collection of additional data, if necessary i.e. what can be done to make the site safe for use in the event a potential risk is identified?

1.3 Report Usage

The information and recommendations contained within this report have been prepared in the specific context stated above and should not be utilised in any other context without prior written permission from EnviroCentre.

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2 SITE INVESTIGATION WORKS

2.1 Contaminants, Pathways and Receptors

The table below summarises the potential contaminants that were assessed as part of the investigation and the receptors that were considered:

Source	Pathway	Receptor
Soil contamination associated with historic use of the site including:	Direct Contact (i.e. handling of soils or dust associated with the site) – All contaminants of concern excluding asbestos	Future Site Users (i.e. school pupils/employees/visitors)
<ul style="list-style-type: none"> • Heavy Metals; • Asbestos; • Petroleum Hydrocarbons; • Semi-Volatile and Volatile Organic Compounds 	Inhalation of Dust – All contaminants of concern	
	Inhalation of Vapours – Petroleum Hydrocarbons and Volatile Organic Compounds	
	Ingestion (i.e. eating soil or dust associated with the site) – All contaminated of concern excluding asbestos	

The investigation works incorporated excavation of 77 trialpits and drilling and installation of 20 shell and auger boreholes. A plan detailing the site investigation locations is provided as Figure 1 in Appendix A.

A total of 155 soil samples were collected and analysed from the intrusive locations at various depths ranging from 0.4m to 5m below ground level throughout the soil profile. This investigation approach is in line with industry standard and is designed to allow for assessment of the site condition via intrusive locations on a grid based pattern.

Soil samples were variously tested for the following analytes at an accredited laboratory:

- Asbestos screen;
- pH (acidity);
- Heavy Metals (i.e. elements such as arsenic, cadmium, chromium, copper, lead, nickel, mercury, selenium and zinc);
- Fractionated Total Petroleum Hydrocarbons (TPH CWG, i.e. chemicals which originate from crude oil);
- Volatile Organic Compounds (VOCs) (i.e. chemicals typically associated with hydrocarbons such as benzene and again components of oil); and
- Semi-Volatile Organic Compounds (SVOCs, including Polycyclic Aromatic Hydrocarbons (PAHs)).

3 RISK ASSESSMENT AND FINDINGS

The Geo-Environmental investigation has incorporated screening of the soil laboratory results against current generic screening criteria that are routinely used for ground condition assessment in the United Kingdom. There is no current generic screening criteria for a school use set by regulatory bodies, so for the purposes of the assessment two sets of criteria were utilised which reflect the likely usage of the site. These criteria were:

- Residential without Plant Uptake;
- Public Open Space Near Housing.

The screening criteria allow for consideration of the potential exposure for a human user on the basis of the number of hours present on the site, per day on a yearly basis. For the residential without plant uptake scenario the criteria is designed to assess land for use as housing. As such this criteria assumes the receptor will be on site for 365 days a year for up to 19 hours per day. For a school use the receptor is likely to be present on site for approximately 7 hours per day on a lower number of days per year. As such the residential criteria is a very stringent approach to assessment for the site. Should as part of the school development, plant cultivation be part of the design then appropriate remedial measures will be put in place to address risks associated with plant uptake.

The generic screening assessment has identified specific areas of the site where there were elevated concentrations of contaminants with respect to both these land use types i.e. at levels which are considered to warrant further action.

Figure 2 in Appendix A details the locations of sample exceedances (marked as red locations where further action is required) for the Residential without Plant Uptake land use. Figure 3 in Appendix A details the locations of sample exceedances with respect to the Public Open Space Near Housing land use.

4 GROUNDWATER, GROUND GAS AND VOLATILE CONTAMINANT MONITORING

During 2020 further environmental monitoring was carried out at the site. The works incorporated:

- Two groundwater monitoring rounds;
- Six ground gas monitoring rounds;
- Three monitoring rounds to assess risks from volatile contaminants in soil and groundwater.

The environmental monitoring findings are summarised below.

4.1 Assessment of Impact to Groundwater

The investigation has identified evidence of the potential for impact to the Water Environment (potentially both groundwater resource and the adjacent Firth of Clyde) related to the presence of a floating hydrocarbon layer at the site and related elevated dissolved TPH and PAH concentrations.

The locations of the exceedances are generally noted on the east of the site however there is evidence of localised hydrocarbon impact on the western portion of the site.

Figures 171301-016 and 171301-017 in Appendix A details the locations the identified issues.

4.2 Ground Gas Risks

The ground gas assessment identified presence of carbon dioxide within boreholes at the site which results in the site being classified as Gas Characteristic Situation 2 (as per BS 8485:2015+A1:2019).

For future buildings on the site there will be a requirement for provision of gas mitigation measures which will incorporate:

- Provision of an appropriately specified gas membrane with all penetrations sealed and designed to remain durable during the use of the building.
- Provision of a very good passive dispersal layer beneath the buildings (i.e. clear void or no fine gravel layer);
- Provision of passive subfloor ventilation.

4.3 Risks from Volatile Contaminants

The volatile monitoring identified evidence of volatile contaminants at the surface of the site in the areas of the known floating hydrocarbon layer. On this basis the following mitigation measures are proposed:

- Removal of floating oil layer.
- Gas membrane specification should also restrict potential for volatile hydrocarbon ingress.

5 REMEDIAL STRATEGY

A remedial strategy for the site has been developed and discussed with SEPA and North Ayrshire Council's Contaminated Land Officer. This has incorporated agreement of soil contaminant maximum concentration criteria to meet land suitability requirements in relation to human health and ensure no significant release of hazardous materials to the water environment.

The remedial strategy incorporated an update of the human health risk assessment for the entire site to assess for a residential with plant uptake land use scenario. This forms the basis for the remedial target requirements with respect to human health protection.

Figure 1 provided in Appendix B details the identified zones of contamination in relation to the preferred master plan layout. The land-use for the development incorporates the following general land uses:

- School campus buildings;
- Carpark and landscaped areas associated with the school;
- School playing fields;
- Residential Areas

With respect to the areas of identified contamination these are generally related to the following areas

- Portion of school campus building footprint.
- Portion of carpark, landscaped and playing field area.
- Portion of residential development zone on the east of the site.

The remediation strategy for these areas will generally be similar as detailed below:

- Excavation of known areas of soil which are contaminated with hydrocarbons (Figure 1 provided in Appendix B details the identified areas of contamination).
- Following excavation of these soils, sampling and laboratory testing of the remaining ground will be undertaken to confirm that the excavation has removed the identified soil materials of risk.
- Removal of visual hydrocarbons (oil sheen) from groundwater at the site via skimming and offsite removal of oil.
- Either onsite treatment of contaminated soils to address the risks from the material or offsite removal for treatment or disposal. The approach will be informed by initial small-scale trial tests on contaminated soils to identify the most effective measures for addressing the soil contamination.
- Infilling of excavated areas with material that is proved suitable for use via laboratory testing for the proposed development.
- Environmental capping (i.e. upfilling) of areas of proposed soft landscaping with soils shown to be suitable by laboratory testing. The upfilling depth will be designed with respect to the final land use of the area.
- Installation of hydrocarbon and ground gas resistant membranes in the footprint areas of all buildings built on the site.
- All water supply pipes and utility service runs will be suitably specified for the purpose of protection.

All remedial works will be witnessed, documented, monitored and numerous samples collected for analysis by a laboratory to ensure the remedial works are being completed as agreed with North Ayrshire Council Environmental Health Department, and SEPA. This will result in the production of a Validation Report completed by a suitably qualified environmental consultant, with verification reports submitted to North Ayrshire Council Environmental Health department, and SEPA. Site users and residents will not be allowed to move into the properties until the regulators have approved these reports.

5.1 Remediation Pilot Trials

As the first stage of the remediation, pilot trials will be undertaken from June 2021. The purpose of these trials is to identify the most effective means of undertaking the soil treatment works. The trials will incorporate pilot testing of the following potential treatment approaches:

- Bioremediation (i.e. enhancing natural breakdown of the hydrocarbon contaminants);
- Chemical oxidations (use of chemicals to breakdown the hydrocarbons);
- Combination of chemical oxidation and bioremediation;
- Stabilisation and solidification (i.e. mixing soil with cement and chemical binders to “lock-in” the contamination and therefore make it unable to cause impact);
- Soil washing (i.e. use of a washing technique to remove the contaminant from the soil).

The findings of the pilot trials will allow for final compilation of the Remedial Strategy to confirm the exact technique(s) which will be employed on the site to reach the remediation criteria.

6 SEDIMENT TESTING

To facilitate the development of the site there is a requirement to import material to allow the site to reach required levels with respect to flooding, and provide the environmental cap for the remediation.

In February 2021 EnviroCentre collected sediment cores from the adjacent bay area to assess the quality of the material with respect to potential use as imported material.

The testing confirmed that the material is suitable for residential with plant uptake land use (i.e. would be suitable for use on the development). In addition, the assessment identified that the material was predominantly sand which would meet the engineering requirements for the imported fill.

On the basis of the findings of the assessment the sediment would be considered suitable for use as fill on the development site. At this stage works are ongoing with a view to potential other sources of material for the infill.

7 STOCKPILE TESTING

In January 2021 soil sampling was undertaken on existing stockpiles on the Ardrossan Development site to review their status and potential for re-use as part of the development.

The stockpiles were created in 2011 as part of the first phase of remediation of the site and have undergone various stages of bioremediation works.

The investigation identified that much of this stockpiled material had met the remedial targets for the site and as such could be re-used without the requirement for further remediation.

The review confirmed the following:

- 27,600m³ of stockpile material validated for re-use anywhere on the site (i.e. can be within top metre or as cap)
- 3,400m³ can be reused as subsoils or beneath hardstanding.
- 8,600m³ required to be further treated as part of the future enabling works package to allow it to meet re-use criteria.

These stockpiles therefore provide a source of material for use in remediating the site.

8 COAST TO COAST SITE INVESTIGATION

In April 2021 EnviroCentre carried out a site investigation at the Coast to Coast Bus Depot site (area detailed in Figure 1 provided in Appendix C) which is located adjacent to the main Ardrossan Development site.

The site historically formed a portion of a railway station prior to being used as a bus depot.

The purpose of the investigation was to assess the ground conditions and chemical condition of the site.

Review of the soil findings to date have not identified any significant contamination issues with the site, with only a very localised near surface hydrocarbon exceedance. This would be addressed utilising the proposed remedial measures detailed in the existing Remedial Strategy for the main development site. A report was produced in May 2021 detailing the findings.

Environmental monitoring works will continue to July 2021.

9 MITIGATION DURING REMEDIATION AND CONSTRUCTION

The works proposed on the north shore site will involve the excavation and movement of significant amounts of material. This understandably raises concern over the potential for nuisance in the area through smells, or the potential for contaminants to pass into the air through dust particles.

The potential for dust generation will be mitigated through wetting down materials prior to excavation and following stockpiling. On this basis there is considered to be a low risk of dust generation during the works.

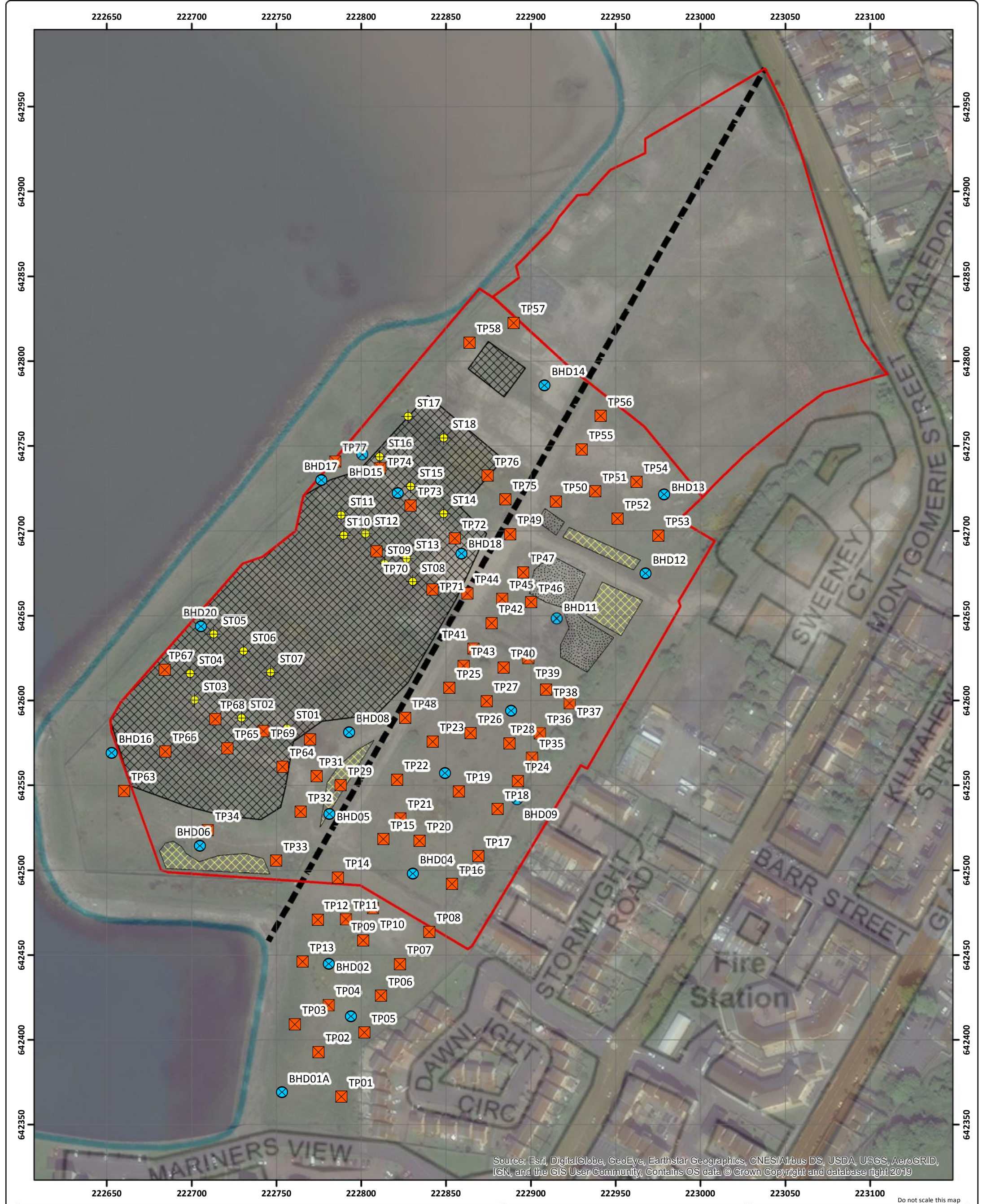
Dust monitoring incorporating visual assessment and static sampling will also be undertaken during the works to ensure that the mitigation measures are effective.

Odour generation is most likely to occur during excavation and movement of soil. Once stockpiled odour generation should be low. Deodorising units will be installed on site to mitigate the impact of odour production.


There will be onsite monitoring of volatile contaminants at the site boundary to ensure that there is no significant risk associated with volatile contaminants being released during the site works. This will be a continuous exercise through the duration of the works.


APPENDICES


A SITE INVESTIGATION FIGURES






Legend


-  Borehole


 Trial pit

 Approximate Stockpile Samples


 Approximate Area of Stockpiles
-  Concrete and Rubble Heaps

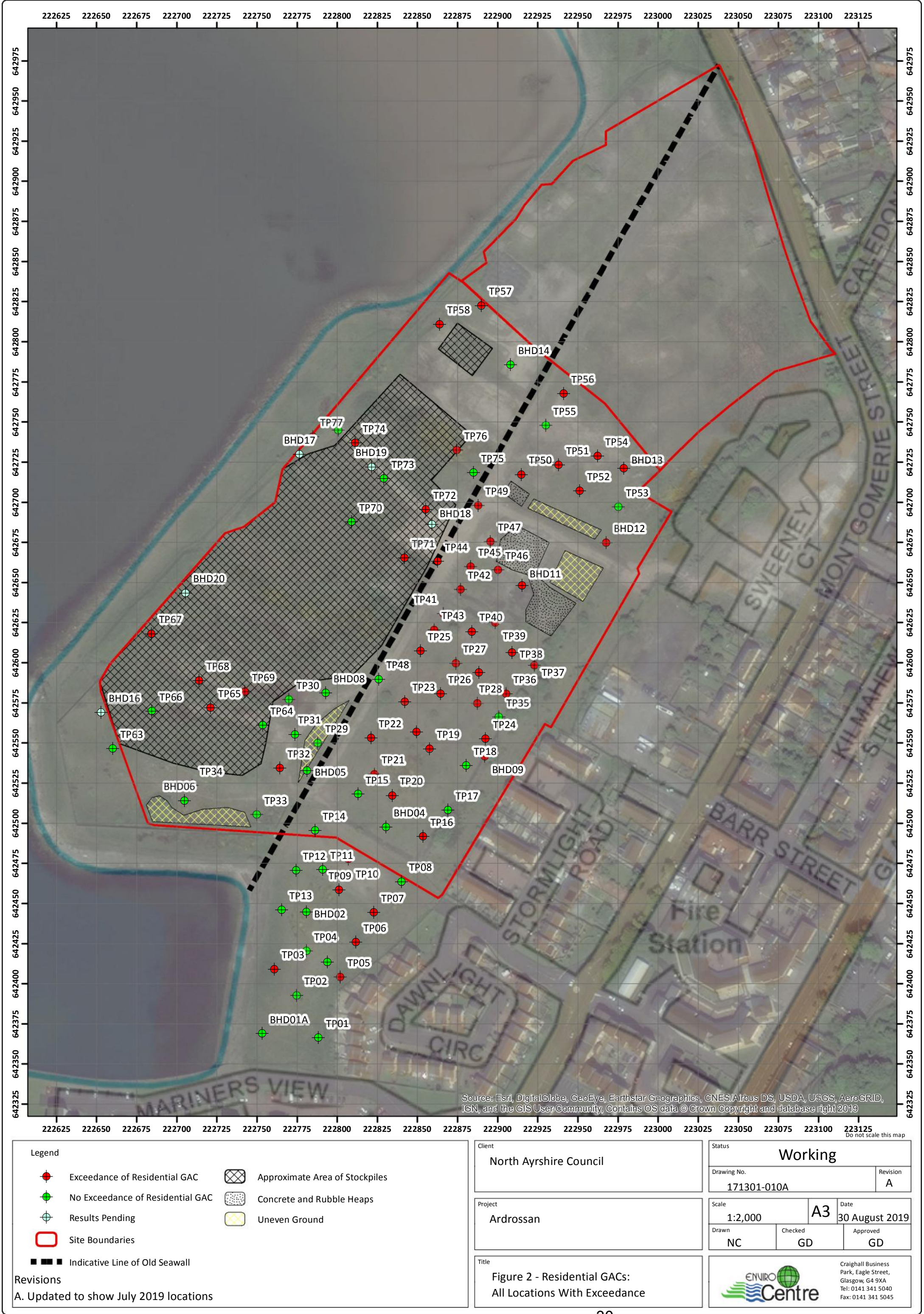
 Uneven Ground

 Indicative Line of Old Seawall

 Site Boundaries
- Revisions

B: Updated to show July 2019 locations

Client North Ayrshire Council		Status Final	
Project Ardrossan		Drawing No. 171301-001	Revision B
Title Figure 1 - Site Investigation Plan		Scale 1:2,000	Date 17 May 2019
		Drawn NC/FR	Approved GD
		Checked FR	
		 <div>Craighall Business Park, Eagle Street, Glasgow, G4 9XA Tel: 0141 341 5040 Fax: 0141 341 5045</div>	



- Legend
- Exceedance of Residential GAC
 - No Exceedance of Residential GAC
 - Results Pending
 - Site Boundaries
 - Indicative Line of Old Seawall
 - Approximate Area of Stockpiles
 - Concrete and Rubble Heaps
 - Uneven Ground

Revisions
A. Updated to show July 2019 locations

Client
North Ayrshire Council

Project
Ardrossan

Title
Figure 2 - Residential GACs:
All Locations With Exceedance

Status
Working

Drawing No.
171301-010A

Revision
A

Scale
1:2,000

Date
30 August 2019

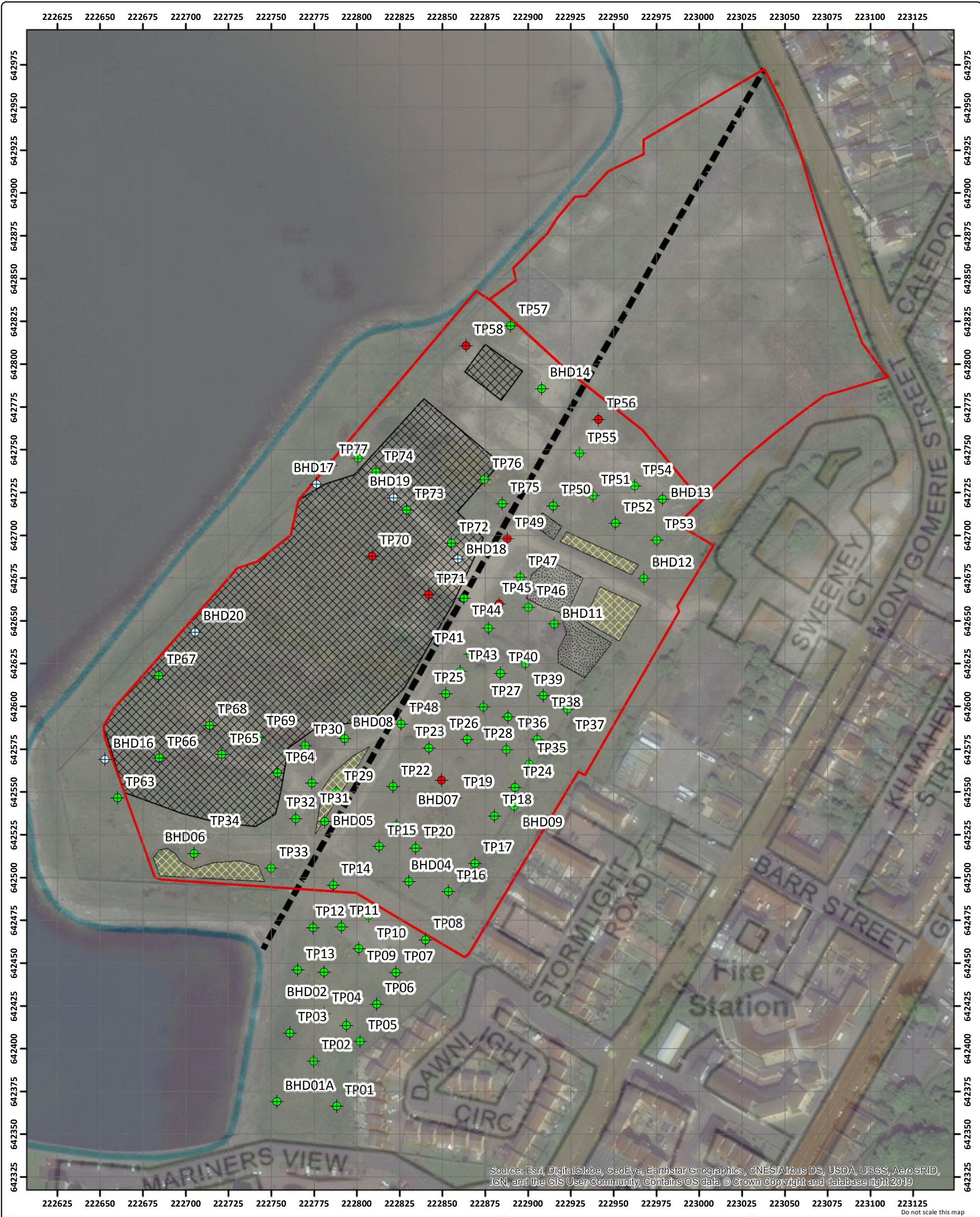
Drawn
NC

Checked
GD

Approved
GD



Craighall Business
Park, Eagle Street,
Glasgow, G4 9XA
Tel: 0141 341 5040
Fax: 0141 341 5045



POS GAC Exceedance

No POS GAC Exceedance

Results Pending

Site Boundaries

Indicative Line of Old Seawall

Approximate Area of Stockpiles

Concrete and Rubble Heaps

Uneven Ground

Revisions: A. Updated to show July 2019 locations

Client

North Ayrshire Council

Project

Ardrossan

Title

Figure 3 - Locations of POS GAC Exceedances
(Not Including Asbestos)

Status

WORKING

Drawing No.

171301-011A

Revision

A

Scale

1:2,000

A3

Date

30 August 2019

Drawn

NC

Checked

FR

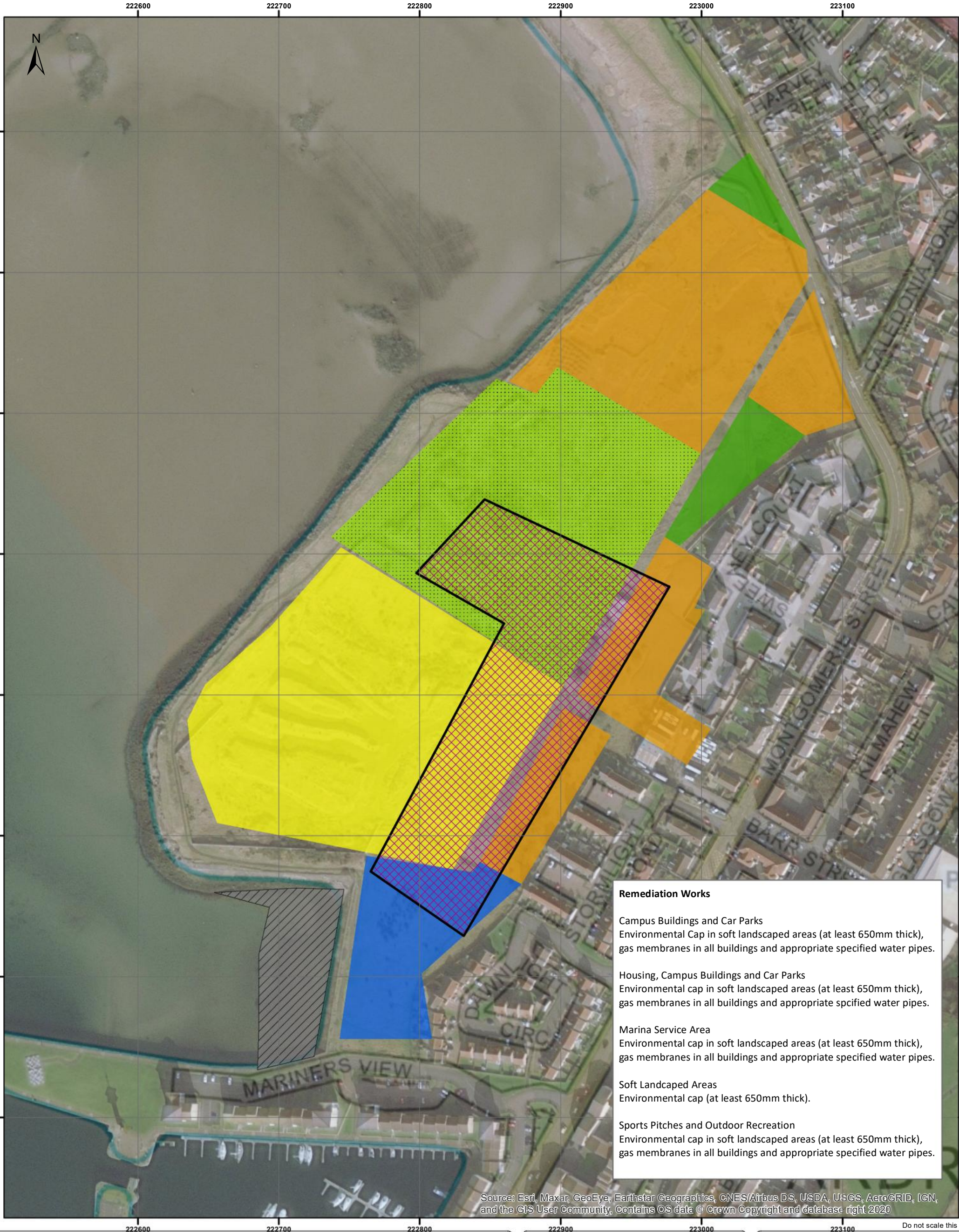
Approved

GD

Craighall Business Park, Eagle Street, Glasgow, G4 9XA
Tel: 0141 341 5040
Fax: 0141 341 5045

31

B REMEDIAL STRATEGY FIGURES



- Legend**
- Identified Area for Soil Excavation Works for Remediation
 - Campus Buildings & Car Park
 - Housing
 - Marina Service Area
 - Open Space
 - Reclaimed Land
 - Sports Pitches & Outdoor Education

Client
North Ayrshire Council

Project
Ardrossan
Remedial Strategy

Title
Remediation Plan and Proposed Layout

Scale
1:2,500 @A3

Status
Final

Drawing No. 171301-023	Revision -	Date 4 Dec. 2020
Drawn NC	Checked FR	Approved GD

Rev	Date	Amendment	Initials
A	18/12/20	Revised site layout	FR

Craighall Business Park, Eagle Street, Glasgow, G4 9XA
T: 0141 341 5640 E: info@envirocentre.co.uk W: www.envirocentre.co.uk

C COAST TO COAST FIGURE

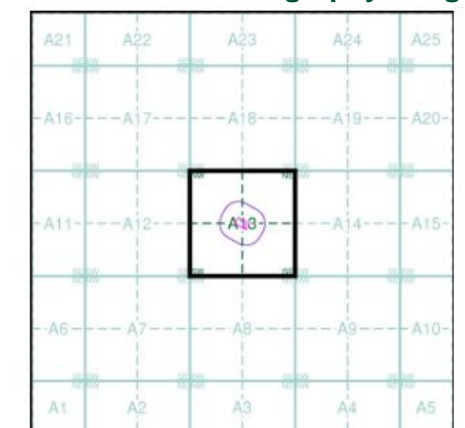


Historical Aerial Photography

Published 2004

This aerial photography was produced by Getmapping, these vertical aerial photographs provide a seamless, full colour survey of the whole of Great Britain

Historical Aerial Photography - Segment A13



Order Details

Order Number: 277961938_1_1
Customer Ref: 173958
National Grid Reference: 223000, 642550
Slice: A
Site Area (Ha): 0.33
Search Buffer (m): 100

Site Details

Site at, Ardrossan, North Ayrshire

NORTH AYRSHIRE COUNCIL

23 June 2021

North Ayrshire Council

Title:	North Ayrshire Council Unaudited Annual Accounts 2020/21
Purpose:	To submit the unaudited Annual Accounts for the year to 31 March 2021 to the Council for approval.
Recommendation:	That Council (i) approves the Annual Accounts for 2020/21, subject to audit; (ii) notes that Deloitte LLP plan to complete their audit of the Accounts by mid September 2021 and will present their annual audit report to the Council's Audit and Scrutiny Committee by 30 September 2021; and (iii) authorises the Audit and Scrutiny Committee to consider, and approve for signature, the audited annual accounts within the required timeframe.

1. Executive Summary

- 1.1 The Council prepares its Accounts on an annual basis to 31 March and is required by the Local Authority Accounts (Scotland) Regulations 2014 to submit these Accounts to the appointed auditor by 30 June each year. Deloitte LLP plan to complete their audit of the Accounts by mid September 2021 and will present their annual audit report to the Council's Audit and Scrutiny Committee by 30 September 2021. A copy of the Council's unaudited accounts, containing the key financial statements, for the year to 31 March 2021 has been issued directly for Members' approval prior to their submission to the appointed auditor. A copy of the full set of accounts can be found by following the attached link:

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

- 1.2 The 2020/21 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (ACOP) and the requirements of the International Financial Reporting Standards (IFRS).
- 1.3 The Annual Accounts provide an overview of the financial performance of the various funds managed by the Council. The Management Commentary summarises the key messages in relation to the Council's financial and service performance for 2020/21 and outlines the financial plans, challenges and risks which the Council faces.

- 1.4 The detailed financial performance for both Revenue and Capital are reported to Cabinet throughout the financial year and the final Revenue Budget and Capital Programme Financial Performance reports were submitted to Cabinet on 15 June 2021.
- 1.5 At 31 March 2021 the General Fund closed with an in year underspend of £1.656m. This amount has been transferred to the General Fund Unearmarked Balance resulting in an unearmarked balance at 31 March 2021 of £11.315m, or 2.9% of budgeted expenditure, which is available to help mitigate the ongoing impact of the Covid-19 pandemic and support recovery and renewal activities. The balance of earmarked funds of £62.248m is detailed in paragraph 2.9.
- 1.6 At 31 March 2021 the Housing Revenue Account closed with an in year underspend of £4.116m. These funds have been earmarked to support the HRA Sustainability Fund, Sheltered Housing Refurbishments, Disturbance Allowance commitments and Responsive Repairs. The HRA earmarked funds are detailed in paragraph 2.20 with an uncommitted balance at 31 March 2021 of £1.500m.
- 1.7 Capital Expenditure for the year was £39.948m for the General Fund and £44.287m for the HRA, representing significant ongoing investment in the Council's assets.
- 1.8 The Common Good Funds closed with a balance of £2.082m and the Trust Funds closed with a balance of £0.372m. The Annual Trustees' Report and Financial statements for the charitable trusts are subject to a separate report to Council.
- 1.9 The Health and Social Care Partnership reported an in-year underspend of £4.148m, after accounting for funds earmarked in reserves. The Integration Joint Board will carry this underspend forward in General Reserves for use in future years. Following the drawdown of £1.486m, set aside by the Council to support the repayment of the IJB's deficit to the Council, the IJB's outstanding deficit has been reduced to £3.807m.

2. Background

- 2.1 The Annual Accounts provide an overview of the financial performance of the various funds managed by the Council, including:
- North Ayrshire Council General Fund (capital and revenue);
 - Housing Revenue Account (capital and revenue);
 - Six Common Good Funds; and
 - Charitable Trusts Funds.
- 2.2 The accounts also include "Group" accounts which recognise the material interest the Council has in other organisations, including:
- North Ayrshire Ventures Trust Ltd;
 - North Ayrshire Leisure Ltd;
 - Strathclyde Partnership for Transport;
 - Ayrshire Valuation Joint Board; and
 - North Ayrshire Integration Joint Board.

- 2.3 The financial position of the Council and its Group is presented in the core financial statements, including:
- Comprehensive Income and Expenditure Statement (CIES) on page 39;
 - Movement in Reserves Statement (MiRS) on page 40;
 - Balance Sheet on page 41; and
 - Cash Flow Statement on page 42.
- 2.4 The Local Authority Accounts (Scotland) Regulations 2014 require various disclosures of the remuneration and pensions benefits of senior councillors and employees. These are detailed in the Remuneration Report which can be found on page 21 of the Annual Accounts.
- 2.5 The Council is legally required to make its draft accounts available for public inspection for a three-week period during the audit. A notice was published on the Council website and an advert placed in local newspapers during week beginning 7 June 2021 advising that the unaudited accounts would be available for inspection on the Council's website between 1 July and 21 July 2021.
- 2.6 Under the Local Authority Accounts (Scotland) Regulations 2014 the Council, or a committee of the Council with a remit including audit or governance, must meet to approve the audited annual accounts for signature. Following confirmation of the completion of the audit by Deloitte LLP, a meeting of the Audit and Scrutiny Committee will be arranged to consider the audited annual accounts and approve them for signature.

General Fund Revenue

- 2.7 The final position for the General Fund Revenue Account at 31 March 21 was a surplus of £1.656m. The following table details the final position on a service by service basis:

	App. No	Annual Budget	Actual Outturn to 31 March 2021	Variance for year (Fav)/Adv	Projected Variance at P10 (Fav)/Adv	Movement	Request for Carry Forward Approved @ P10	New Requests for Carry Forward	Variance for Year After Carry Forward (Fav)/Adv
Service Expenditure		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive's	1	24,569	23,408	(1,161)	270	(1,431)	122	288	(751)
Communities	2	140,298	137,499	(2,799)	(479)	(2,320)	1,701	2,066	968
Place	3	64,226	62,660	(1,566)	998	(2,564)	2,633	1,527	2,594
Other Corporate Services	4	33,337	5,857	(27,480)	(7,904)	(19,576)	750	21,376	(5,354)
Sub Total		262,430	229,424	(33,006)	(7,115)	(25,891)	5,206	25,257	(2,543)
Health and Social Care Partnership		98,411	90,894	(7,517)	-	(7,517)	-	7,517	-
Balance for Services		360,841	320,318	(40,523)	(7,115)	(33,408)	5,206	32,774	(2,543)
Financing Charges	5	24,797	24,797	-	-	-	-	-	-
Contribution to Loans Fund Reserve	5	3,464	3,464	-	-	-	-	-	-
Total Planned Expenditure		389,102	348,579	(40,523)	(7,115)	(33,408)	5,206	32,774	(2,543)
Planned Income									
Aggregate External Finance	5	(326,698)	(326,746)	(48)	-	(48)	-	-	(48)
Council Tax	5	(58,271)	(57,336)	935	935	-	-	-	935
Contribution to/from Earmarked Funds	5	(4,133)	(4,133)	-	-	-	-	-	-
Total Planned Income		(389,102)	(388,215)	887	935	(48)	-	-	887
Net Expenditure/ (Income)		-	(39,636)	(39,636)	(6,180)	(33,456)	5,206	32,774	(1,656)

- 2.8 The Council's contribution to the Health and Social Care Partnership reported an in-year underspend of £7.517m reflecting the level of funding which the Council provided to the Partnership. However, these funds have been carried forward as earmarked reserves or ringfenced as part of the IJB's General Reserves, resulting in a net breakeven position for the year. Following the drawdown of £1.486m which the Council had set aside to support the repayment of the IJB's deficit, the IJB's outstanding deficit now stands at £3.807m.

2.9 The table below summarises the movements on each of the Council's General Fund reserves during the year:

	Balance as at 31/3/2020 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2021 £000's	Anticipated Expenditure	Estimated Available Balance £000's
General Fund - Unearmarked	9,659	1,656	-	11,315	-	11,315
Earmarked:						
Education DMR	341	14	(341)	14	(14)	-
Affordable Housing	3,081	1,093	(1,252)	2,922	(2,922)	-
Earmarked funds	8,968	30,303	(3,617)	35,654	(35,654)	-
Change & Service Redesign	3,144	-	(300)	2,844	(2,844)	-
Loans Fund Reserve	9,389	3,676	(8,800)	4,265	(4,265)	-
Investment Fund	-	9,825	(250)	9,575	(9,575)	-
Renewal Fund	-	6,974	-	6,974	(6,974)	-
Total Earmarked	24,923	51,885	(14,560)	62,248	(62,248)	-
Other Reserves:						
Insurance Fund	3,214	167	-	3,381	(3,381)	-
Capital Fund	4,518	12	(1,411)	3,119	(3,119)	-
Total General Fund	42,314	53,720	(15,971)	80,063	(68,748)	11,315

2.10 General Fund (Unearmarked) – the General Fund surplus for the year was £39.636m. After recognising the earmarking of funds to be carried forward of £37.980m, a surplus of £1.656m has been reported. These funds have been allocated to the Unearmarked Balance and will be available to help mitigate the ongoing impact of the Covid-19 pandemic and support recovery and renewal activities. The uncommitted balance at 31 March 2021 was £11.315m. This is equivalent to 2.9% of the Council annual budgeted expenditure, compared to the minimum recommended level of 2% or £7.782m.

2.11 Affordable Housing – 40% of Council Tax income on properties which are not a sole or main residence is earmarked for the provision of new build affordable housing.

2.12 Earmarked Funds and Education DMR – these funds relate to specific projects for which monies have been identified prior to 31 March 2021, but for which spending plans exist in 2021/22 and beyond.

2.13 Change & Service Redesign Fund – £0.300m expenditure was incurred during the year to support the delivery of the transformation programme.

2.14 Loans Fund Reserve – funds arising from the Council's Treasury Management and Investment Strategy have been earmarked to support the Councils' Capital Investment Strategy.

2.15 Investment Fund – funds set aside to support investment in environmental projects, infrastructure investment and Community Wealth Building activity.

- 2.16 Renewal Fund – funds earmarked to support the delivery of the Councils’ Recovery and Renewal Strategy through prioritised investment.
- 2.17 Insurance Fund – these funds represent the amount required to deal with potential uninsured claims and Municipal Mutual Insurance (MMI) underwriting costs.
- 2.18 Capital Fund – Capital receipts and funds allocated by Council in support of the General Fund Capital Investment Programme 2021 to 2031.

General Fund Capital

- 2.19 General Fund Capital Expenditure amounted to £39.948m or 99.9% of the revised annual budget for 2020/21 of £39.992m.

HRA Revenue

- 2.20 The final position for the Housing Revenue Account at 31 March 2021 was an in-year underspend of £4.116m. These funds have been carried forward to 2021/22 and ringfenced in relation the HRA Sustainability Fund, Sheltered Housing Refurbishments, Disturbance Allowance commitments and Responsive Repairs. A full analysis of HRA Revenue financial performance was presented to Cabinet on 15 June 2021. The following table details the movements on the Council’s HRA Reserves for the year:

	Balance as at 31/3/2020 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2021 £000's	Anticipated Expenditure	Estimated Available Balance £000's
Council House Building Fund	6,373	-	(793)	5,580	(5,580)	-
Welfare Reform	1,500	-	-	1,500	(1,500)	-
Infrastructure Improvements	305	-	-	305	(305)	-
Major Refurbishment Works	52	-	-	52	(52)	-
Sustainability Fund	-	3,229	-	3,229	(3,229)	-
Aids and Adaptations	58	-	(58)	-	-	-
Sheltered Housing Works	110	410	-	520	(520)	-
Additional CFCR	1,000	-	-	1,000	(1,000)	-
Disturbance Allowances	-	385	-	385	(385)	-
Responsive Repairs	-	150	-	150	(150)	-
Contingency Balance	1,500	-	-	1,500	-	1,500
Total HRA Reserves	10,898	4,174	(851)	14,221	(12,721)	1,500

HRA Capital

- 2.21 HRA Capital Expenditure amounted to £44.287m or 100.7% of the revised annual budget for 2020/21 of £43.981m.
- 2.22 A full analysis of financial performance for the 2020/21 revenue and capital budgets was presented to Cabinet on 15 June 2021.

Common Good Funds

- 2.23 A summary of the revenue and capital balances on the Common Good Funds is provided below with further details provided on page 45 of the unaudited annual accounts:

Common Good Fund	Balance at 1 April 2020 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2021 £000s
Ardrossan	242	38	280
Irvine	1,124	(22)	1,102
Largs	460	(17)	443
Millport	67	-	67
Saltcoats	17	-	17
Stevenston	159	14	173
Total	2,069	13	2,082

Trusts

- 2.24 A summary of the revenue and capital balances on the charitable trusts administered by the Council is provided below with further details provided on page 45 of the unaudited annual accounts. Charitable trusts, where the Council is the sole trustee, are required to prepare their own Accounts and Trustees' annual report. These are subject to a separate external audit and a separate report to Council.

Trusts	Balance at 1 April 2020 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2021 £000s
North Ayrshire Charitable Trust	86	5	91
Town Trusts	50	(1)	49
Douglas Sellers Trust	1	-	1
Anderson Trust	1	-	1
Margaret Archibald Trust	184	4	188
Other Bequests	42	-	42
Total	364	8	372

3. Proposals

- 3.1 It is proposed that Council (i) approves the Annual Accounts for 2020/21, subject to audit; (ii) notes that Deloitte LLP plan to complete their audit of the Accounts by mid September 2021 and will present their annual audit report to the Council's Audit and Scrutiny Committee by 30 September 2021; and (iii) authorises the Audit and Scrutiny Committee to consider, and approve for signature, the audited annual accounts within the required timeframe.

4. Implications/Socio-economic Duty

Financial

4.1 The financial implications are as outlined in the report.

Human Resources

4.2 None.

Legal

4.3 Under the Local Authority Accounts (Scotland) Regulations 2014 the Council is required to submit its Unaudited Annual Accounts for external audit by 30 June each year.

Equality/Socio-economic

4.4 None

Environmental and Sustainability

4.5 None.

Key Priorities

4.6 This report and the annual accounts directly support the draft Council Plan 2019 to 2024 by maximising resources and providing value for money to support financially sustainable delivery models.

Community Wealth Building

4.7 None.

5. Consultation

5.1 Legal Services were consulted during the preparation of the Trustees' Annual Report 2020/21.

Mark Boyd
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

N/A

Annual Accounts 2020-21



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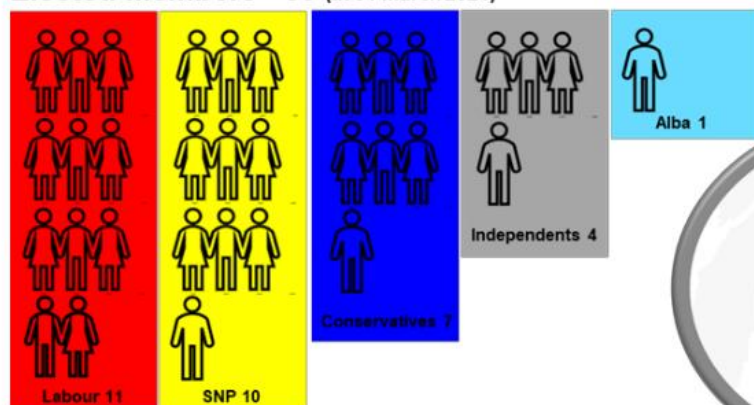
The Management Commentary sets out the key messages on the Council's financial and service performance for 2020/21 and looks ahead to the challenges and risks which we will face as we endeavour to meet the needs of the people of North Ayrshire.

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

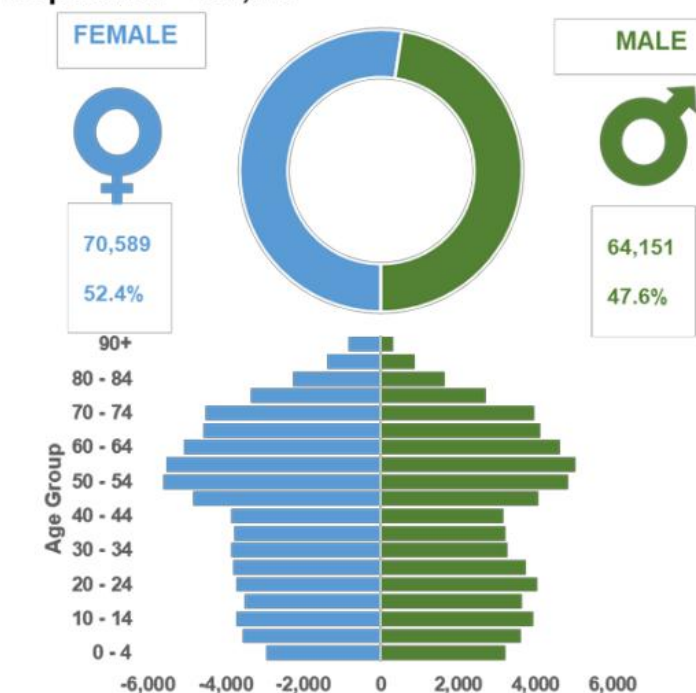
The format and content of the Annual Accounts accord with the Code of Practice on Local Authority Accounting in the United Kingdom.

North Ayrshire by Numbers

Elected Members - 33 (at 31 March 2021)



Population - 134,740

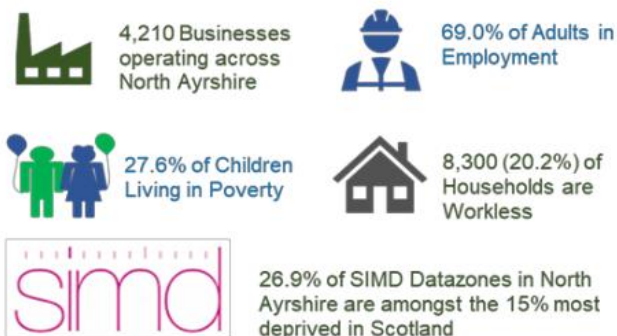


Life Expectancy



	Islands	Mainland
Area	50%	50%
Pop.	5%	95%

Economic Activity



Staff - 6,038 Full Time Equivalents



Vision and Mission

Our Priorities

Aspiring Communities

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

Inspiring Place

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

A Council for the Future

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

Our Vision

A North Ayrshire
that is 'Fair For All'

Our Mission

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



How are we doing?

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

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

<https://www.north-ayrshire.gov.uk/Documents/CorporateServices/ChiefExecutive/PolicyandPerformance/performance-management-strategy-2021-24.pdf>

Performance Management Strategy - Key Objectives



National Performance Framework

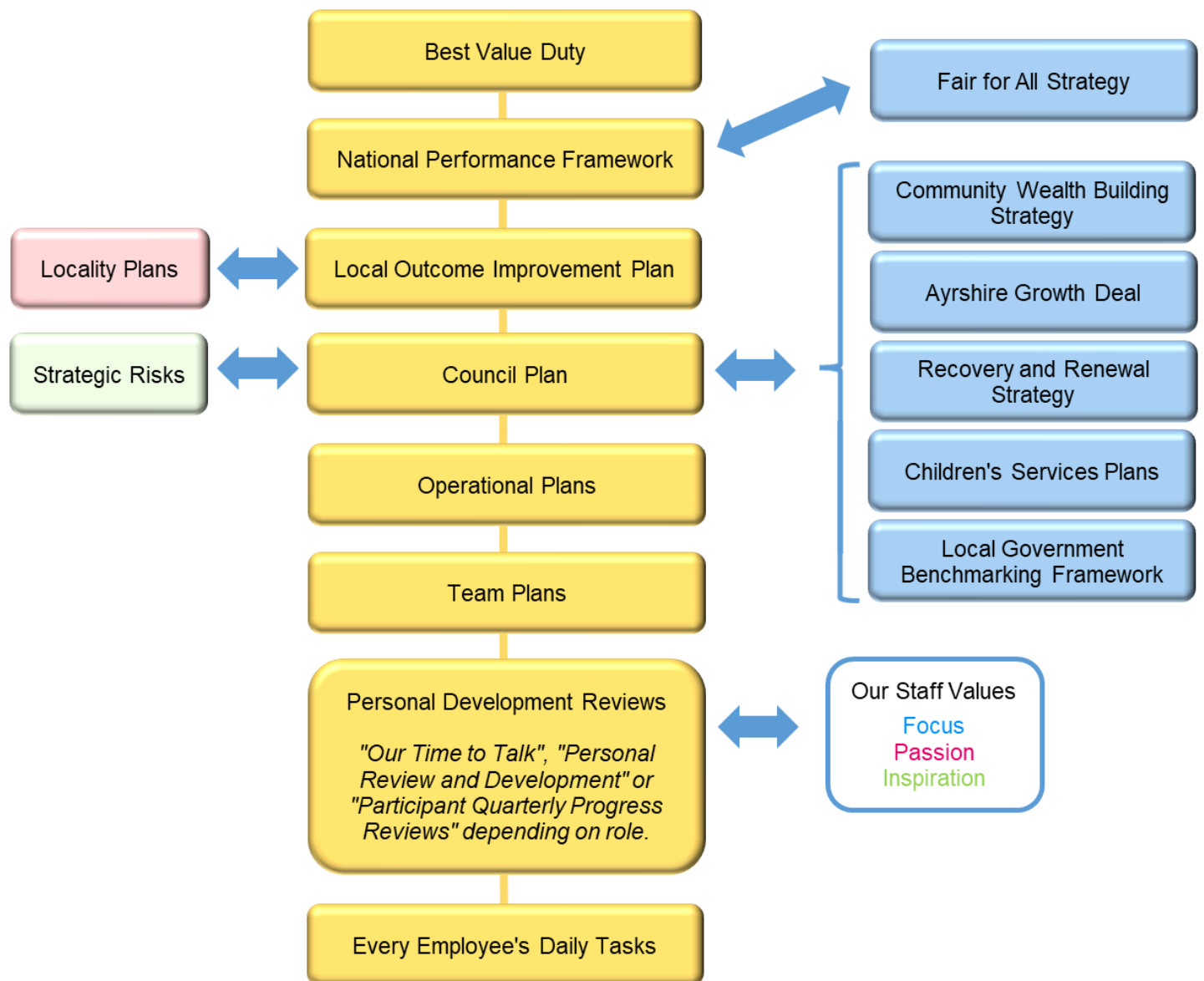
The priorities and outcomes in the North Ayrshire Council Plan and Community Planning Partnership Local Outcomes Improvement Plan are directly influenced by the **National Performance Framework**.

This sets out the Scottish Government's aim to create a more successful country, give opportunities to all people living in Scotland, increase the wellbeing of people living in Scotland, create sustainable and inclusive growth, reduce inequalities and give equal importance to economic, environmental and social progress.



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:



Planned Improvements

The Performance Management Strategy includes plans for the review and improvement of Performance Management and Reporting within North Ayrshire, including:

- Refreshing the Council Plan Performance Framework annually and ensuring timescales reflect the Ayrshire Growth Deal, Education performance and key actions, rather than only financial years;
- Introduction of a “Tell Us Once” approach to minimise duplication of requests from teams; and
- Ensuring our reports are engaging and as accessible as possible through a magazine format supported by our new [North Ayrshire Performance Dashboard](#).

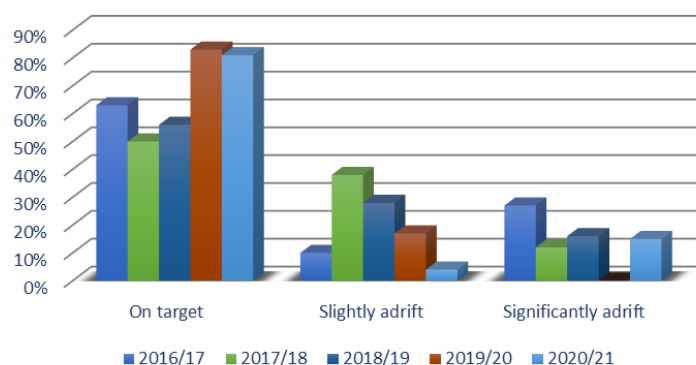
Council Plan Performance Progress Reports

The Council's Executive Leadership Team and Elected Members receive six monthly reports which detail progress against our Council Plan Actions and Performance Measures. Details of the latest Council Plan Progress Updates for 2020/21 are available on the North Ayrshire Performance Dashboard.

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

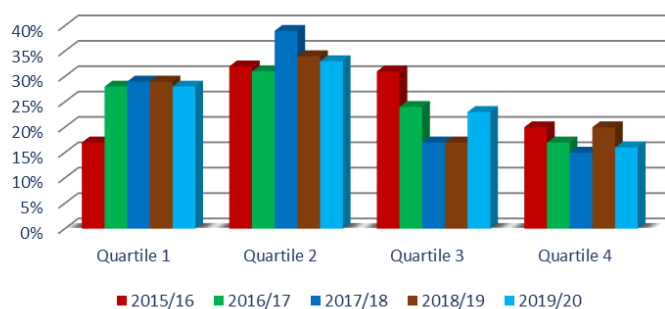
The Council Plan Framework and Delivery Plan measure our progress against 34 performance indicators. Although some of these indicators are only measured annually, the mid-year report shows that 81% of those reported are currently on target, with 1 indicator slightly adrift of target and only 4 which are significantly adrift. This compares favourably with previous annual performance reports.

Performance Indicators



Local Government Benchmarking Framework

Local Government Benchmarking Framework



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

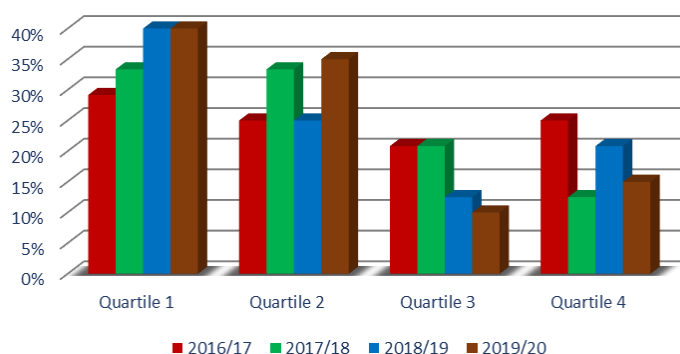
61 of these indicators can be directly compared against 2019/20 performance – 24 (39%) indicators have improved and 20 (33%) have declined relative to other local authorities, with 17 (28%) remaining unchanged.

The Council had previously identified a number of LGBF indicators as being priorities. Of the 20 indicators which can be compared against 2019/20 performance - 8 (40%) indicators have improved and 9 (45%) have declined relative to other local authorities, with 3 (15%) remaining unchanged.

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

[mylocalcouncil](https://www.north-ayrshire.gov.uk/mylocalcouncil)

LGBF Priority Indicators



Looking back at 2020/21

When the history of 2020/21 is written it will be dominated by the impact of the global Covid-19 pandemic and it is no different for North Ayrshire Council and its residents.

Working together with our communities, volunteers, local businesses, the third sector and our Community Planning Partners, North Ayrshire Council responded to the pandemic by supporting our residents, businesses and visitors through practical measures designed to protect the most vulnerable in society, support key workers across the authority and help businesses weather the worst impact of the lockdown restrictions.

Examples of the key supports offered include:

Support for Communities

Community Hubs

The Council established six Community Hubs across North Ayrshire providing essential services such as a prescription delivery service, hot meals, befriending and foodbank distribution for those impacted by shielding, self-isolation or financial issues.

Working with over 600 volunteers, as well as the third and private sectors and colleagues from NHS Ayrshire and Arran, over the past year, the Community Hubs have received 33,152 calls, made 96,465 food deliveries, collected 13,713 prescriptions and directed 3,746 enquiries to other services. Each team has worked tirelessly to support their communities, including some of our most vulnerable residents.



Education and Childcare

Operated by volunteers from across our Education and Libraries services, Childcare Hubs were established across the authority to provide essential support to allow key frontline workers to remain at work.

For those young people who required home learning support, over 2,300 laptops and tablets have been provided to those in greatest need with online resources and virtual classrooms established through GLOW, Show My Homework and Microsoft Teams. While those who were unable to access digital platforms were provided with paper based learning packs.

Food Poverty and Financial Support

The extended closure of schools highlighted the issue of food poverty and over 4,800 eligible households received support in the form of food parcels, providing fresh local produce, and vouchers which could be redeemed at local shops. Our Food Hubs delivered the equivalent of 1.26 million meals to families across North Ayrshire.

To support those facing financial hardships due to the pandemic, all debt recovery activity within the Council was suspended, flexible Council Tax payments were introduced and Council House evictions were suspended, with the exception of those related to anti-social behaviour.



Support for Businesses

**Support for
Business
Grant Fund
£24.2m**

**Strategic
Framework
Business Fund
£13.1m**

**Other
Business
Support Funds
£2.9m**

**Additional Non
Domestic
Rates Relief
£14.8m**

Services across North Ayrshire came together to administer a wide range of grant schemes, supporting businesses and the self-employed who were most impacted by the pandemic restrictions.

Over £40m in grants has been distributed to over 5,000 businesses and individuals in key sectors such as Retail, Hospitality, Leisure, Taxi Operators and the Self Employed with a further £14.8m of support through additional Non Domestic Rates reliefs.

We have also continued to support our Early Learning and Childcare, Health and Social Care and School Transport partners throughout the pandemic to maintain capacity and protect the availability of services.

Impact on Council Services

Our Digital Evolution

Due to our investment in rolling out Office 365 during recent years, the majority of our office based workforce could immediately work from home with access to almost all of our systems. This ensured we could help and support our residents and businesses quickly and effectively during the pandemic.

In addition, we maintained our telephone Contact Centre to ensure our most vulnerable residents or those without internet access could still access services and support.



Services to Communities

Throughout the pandemic we have prioritised our household waste services and were one of the few local authorities to continue to deliver uninterrupted services to our communities.

While many services were focused on the delivery of essential services during the initial lockdown period, non-essential services within communities were restarted when it was safe to do so and our colleagues across the Council have worked tirelessly to address any backlog of repairs and maintenance work which built up during this period.



Leisure and Tourism

Throughout the year Eglinton Country Park and Irvine Beach Park remained open and we worked with partners to support the reopening of our outdoor recreational spaces to assist residents to participate in exercise while socially distancing. However, our play parks, tourist car parks and public toilets were closed during the lockdown period to discourage visitors from outwith the area.

Due to the closure of the majority of KA Leisure's facilities, subscriptions and fees were suspended throughout the lockdown. However, some free exercise classes were provided online for everyone to use.



Our Response at a Glance



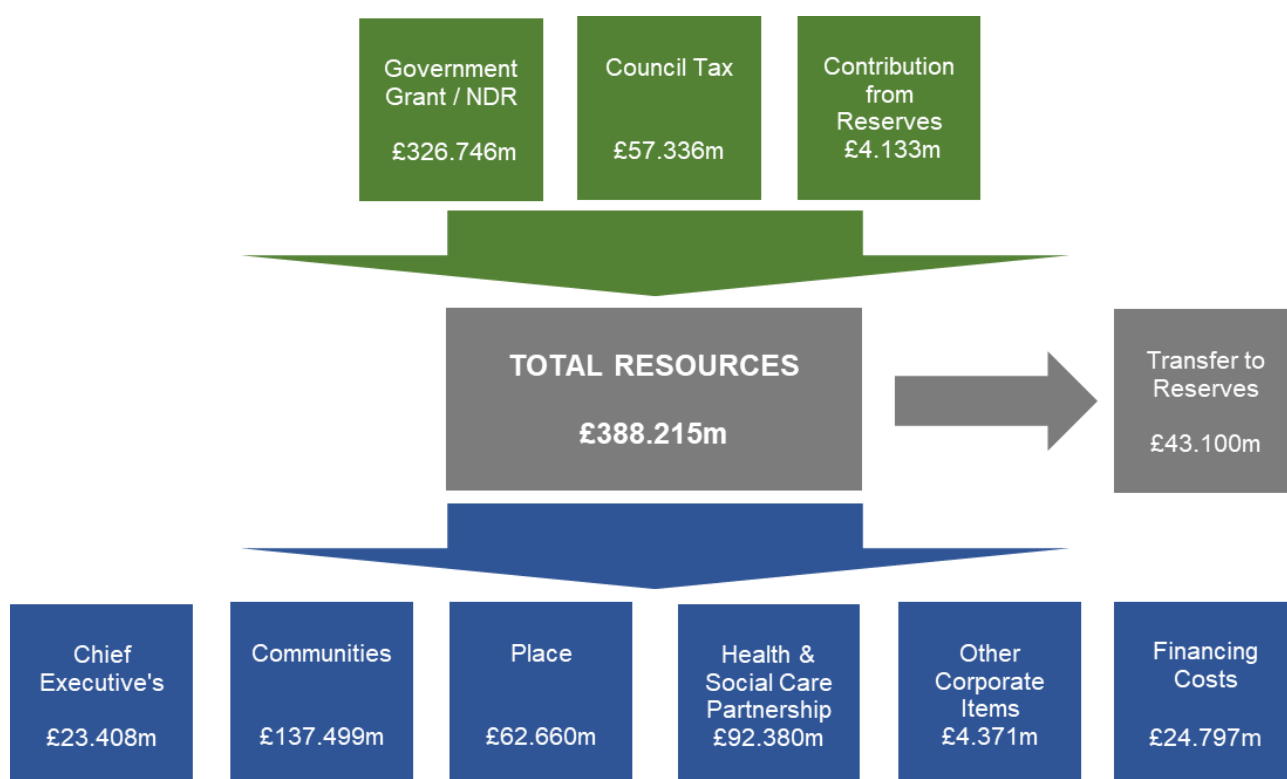
Financial Performance

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

This section summarises our financial performance for 2020/21.

A) General Fund Revenue Expenditure 2020/21

For 2020/21 the final spend on General Fund Services was £345.115m against a budget of £389.102m. The flow of actual income and expenditure during 2020/21 is highlighted below, as detailed in Note 1 on page 49. After earmarking £41.444m to meet future year expenditure requirements, a final in-year underspend of £1.656m is reported.



Overall, services underspent by 10.1% of the available budget. However, this is primarily related to additional Scottish Government Grants received in relation to the Covid-19 pandemic. Additional grant funding was made available to local authorities throughout the financial year with a significant proportion being allocated during February and March 2021 in order to address the ongoing Renewal and Recovery activity which will continue into future financial years. This included funding in relation to the ongoing impact of the pandemic on income recovery, Education recovery and support for learning, and the Health and Social Care Partnership's Covid-19 mobilisation plan.

Excluding the additional Covid-related funding, the overall service underspend for the year was 3.0%. The underspend was primarily driven by the effects of the Covid-19 restrictions which impacted across all services, including the delayed implementation of the expansion of Early Learning and Childcare to 1140 hours, reduced operational costs across a range of Council facilities, vacancy management savings and lower than anticipated employee severance costs. The underspends have been partly offset by significantly reduced income levels across all services and an associated increase in the provision for bad debts arising from the deferral of debt recovery activity during the lockdown period.

In addition to a planned contribution to the Loans Fund Reserve of £3.5m and a commitment of £0.7m to support the 2021/22 Medium Term Financial Plan, the transfers to reserves total of £43.1m includes:

- £13.7m of earmarked grants in relation to service activity deferred as a result of the Covid-19 restrictions;
- £7.0m in relation to a Renewal Fund to support the Council's Recovery and Renewal Strategy;
- £4.8m of additional funding in relation to specific Covid related activities;
- £4.4m to support Education Recovery activity;
- £2.5m to address the ongoing impact of the pandemic on Council income;
- £2.0m provision for the potential impact of ongoing national pay negotiations;
- £1.8m of funding to support the Discretionary Business Support Grants scheme;
- £1.0m of additional contribution to the Council's Investment Fund; and
- £1.7m which will increase the level of unearmarked reserves held by the Council to 2.9% of budgeted expenditure. This will help address and mitigate the ongoing impact of the pandemic across North Ayrshire.

The Council's contribution to the Health and Social Care Partnership (HSCP) includes an additional £1.5m which has been drawn down to facilitate the partial repayment of the HSCP's outstanding deficit. The HSCP's cumulative deficit now stands at £3.8m. Repayment of the balance of this amount is anticipated over the period 2021/22 to 2024/25.

For 2020/21 in-year council tax collection was 92.1% (94.0% in 2019/20). The reduction in in-year collection reflects the temporary deferral of debt recovery activity during the Covid-19 lockdown period.

B) General Fund Reserves

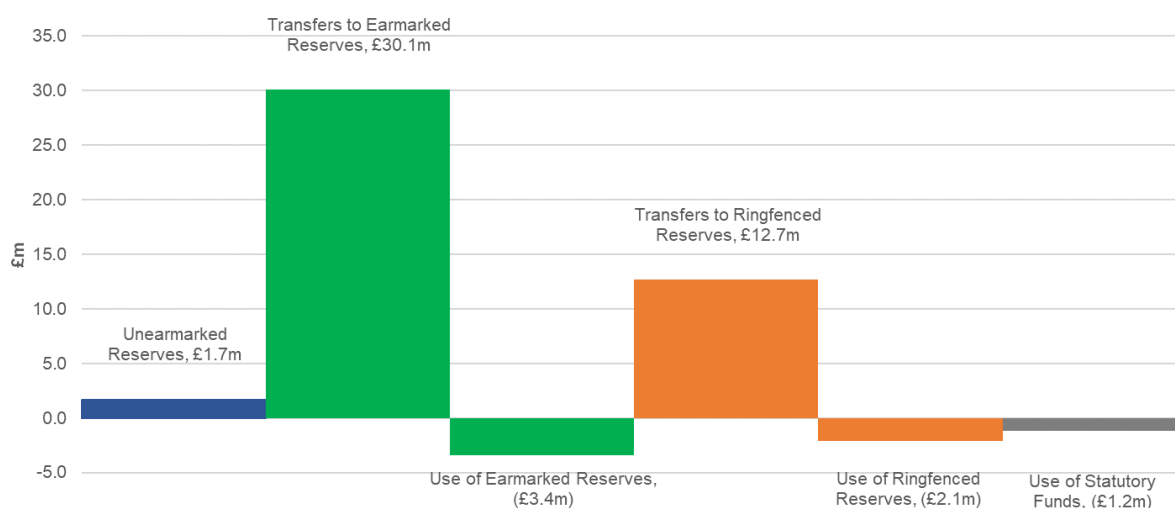
Reserves are an important component of our Financial Framework, supporting financial stability and providing flexibility to deliver change and transformation.

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.

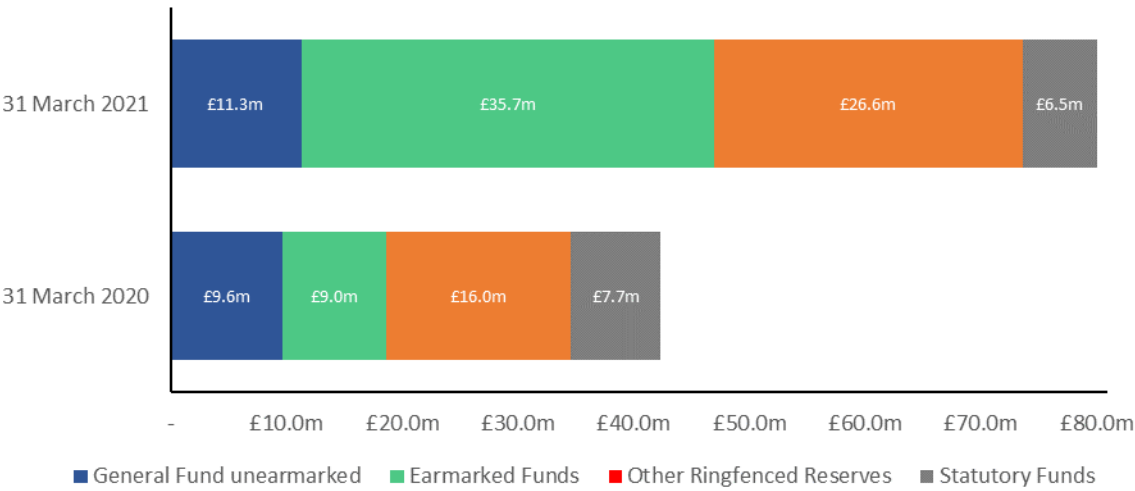
At 31 March 2020, the Council had unearmarked reserves of £9.6m, equivalent to 2.7% of budgeted expenditure. The net in-year underspend for 2020/21 has been added to the General Fund Unearmarked Balance, resulting in an unearmarked balance at 31 March 2021 of £11.3m, or 2.9% of budgeted expenditure, which is available to help mitigate the ongoing impact of the Covid-19 pandemic and support recovery and renewal activities.

The unearmarked reserve continues to be at the lower end of the recommended range of 2% - 4% for general reserves.

Full details of the Council's General Fund Reserves are shown in Note 12 on page 58, along with information on future commitments. The diagram below summarises the movements on the General Fund Reserves for 2020/21:



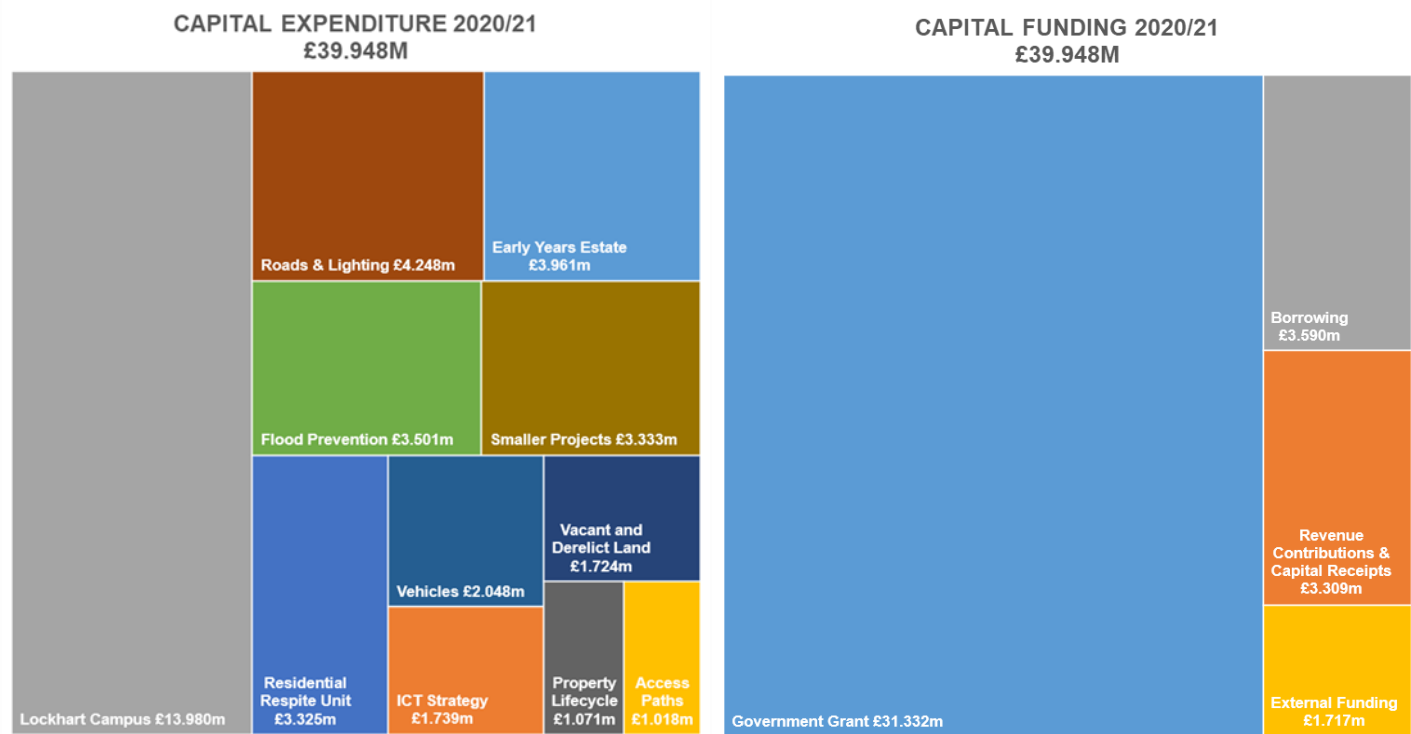
The available balances on the General Fund Reserves are as follows:



C) General Fund Capital Expenditure 2020/21

In 2020/21 the final spend for capital investment was £39.948m against a budget of £39.991m. Further details, including comparative figures for 2019/20 are provided in Note 18 on page 63.

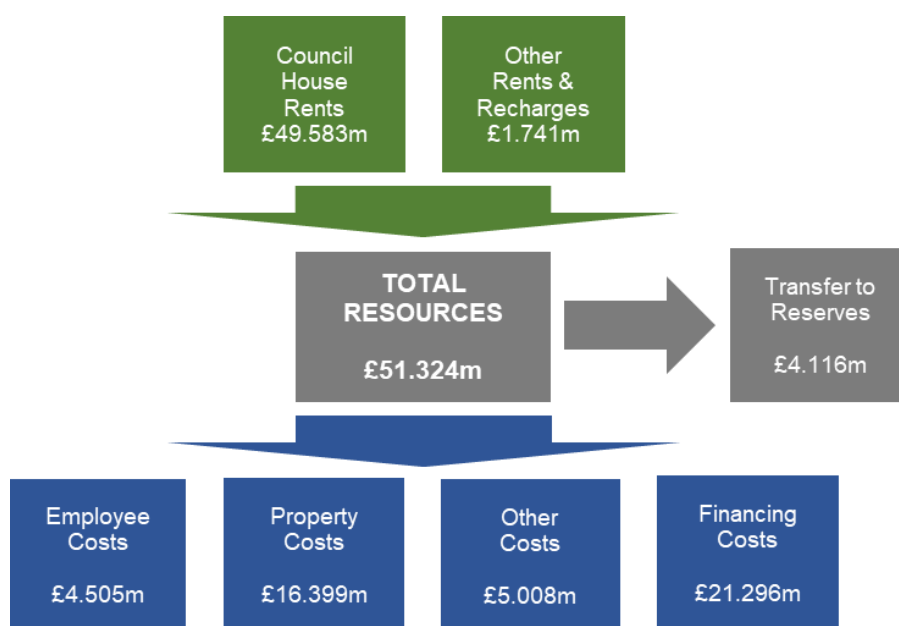
The exhibit below identifies the key projects and summarises how the programme was funded:



D) Housing Revenue Account 2020/21

For 2020/21 the final expenditure on the Housing Revenue Account services was £47.208m against a budget of £51.356m. An analysis of actual funding and expenditure is provided below. Full details are provided in the Housing Revenue Account Income and Expenditure statement on page 42.

The Housing Revenue Account performance for 2020/21 delivered an underspend of £4.116m against a budgeted break-even position. The reported underspend has been added to the HRA reserves to support future Housing expenditure including the Council House building programme.

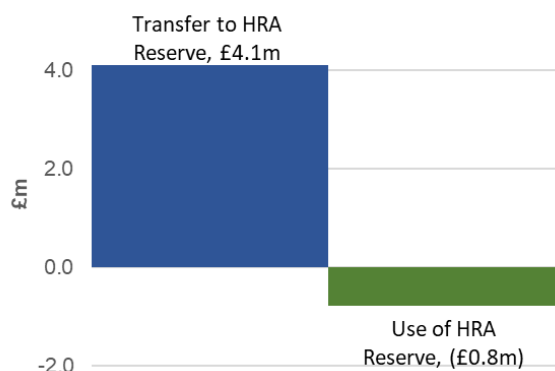


The main factors contributing to this position were lower than anticipated expenditure across the services as a result of the Covid-19 pandemic restrictions. This included vacancy management (£0.3m), reduced expenditure on planned maintenance and Aids and Adaptations (£2.5m), delayed expenditure on disturbance allowances (£0.4m) and lower than anticipated expenditure on capital financing costs related to the impact of the pandemic on the progress of the HRA capital programme, (£0.9m).

The transfer to reserves includes the earmarking of funds in relation to the delayed disturbance allowance payments, £0.4m, additional funding for Sheltered Housing Unit refurbishments, £0.4m, funding in relation to responsive repairs, £0.1m, and the creation of an HRA Sustainability Fund, £3.2m.

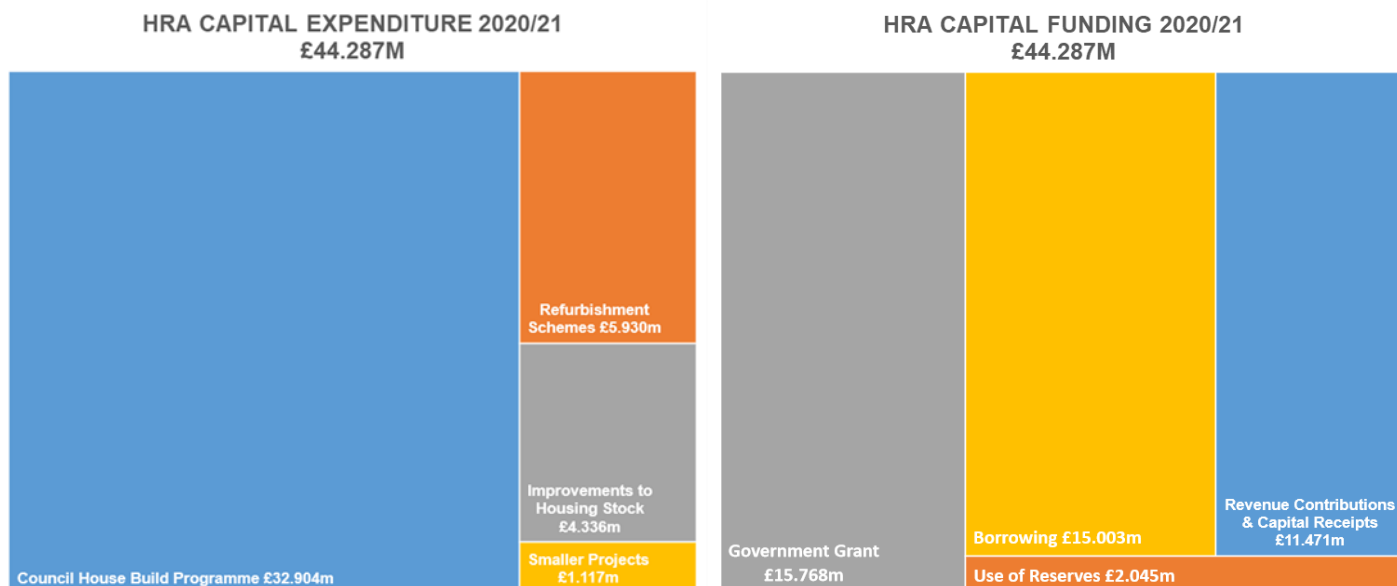
The application of £0.8m of HRA balances for capital projects, partly offset by the contribution to reserves (£4.1m) noted above, has resulted in an accumulated HRA reserve at 31 March 2021 of £14.2m.

The diagram below summarises the movements on the HRA Reserves for 2020/21:



E) HRA Capital Expenditure 2020/21

In 2020/21 the final HRA expenditure on capital investment was £44.287m against a budget of £43.981m. The chart below identifies the key projects and how the programme was funded. Further details, including comparative figures for 2019/20, are provided in Note 18 on Page 63.



F) Treasury Management and Investment

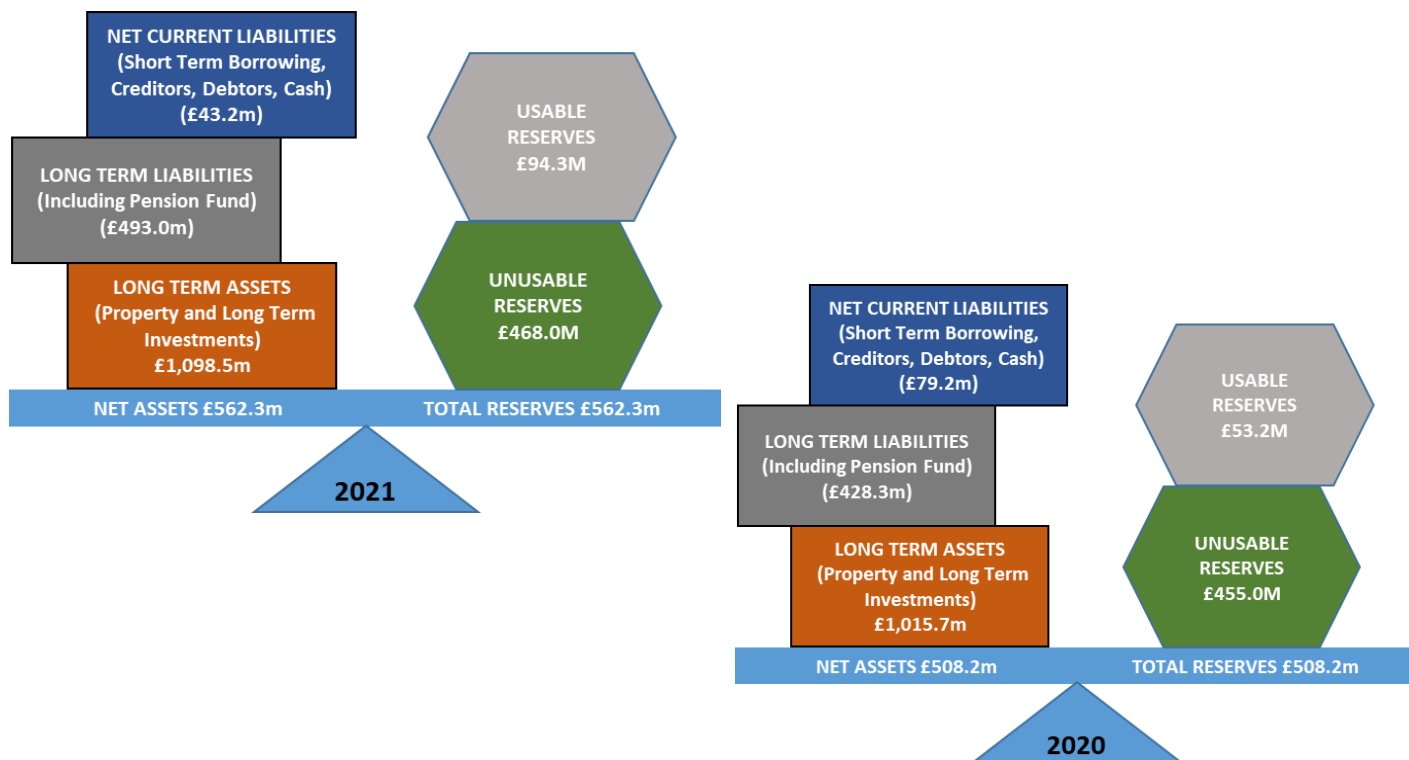
The Treasury Management and Investment Strategy outlines our approach to the management of our investments and cash flows in accordance with the relevant professional codes and regulations. The Strategy balances security and liquidity alongside the risks and returns from investments to ensure that sufficient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

<https://www.north-ayrshire.gov.uk/Documents/CorporateServices/Finance/tmis-2020-21.pdf>

Financial Indicator	2020/21	2019/20	Commentary
Capital Financing Requirement	£319.5m	£309.4m	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	£251.5m	£279.5m	
(Over) / Under Borrowed	£68.0m	£29.9m	
Ratio of financing costs to net revenue stream – General Fund	3.0%	4.5%	We are required to consider the affordability of our capital investment plans in terms of their impact on our revenue stream, demonstrating prudence and ensuring that our investments are sustainable in the long term. The rising ratio within the HRA is indicative of the significant capital investment programme and the level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing Business Plan.
Ratio of financing costs to net revenue stream – HRA	17.7%	17.1%	
Loans Fund Interest Rate	3.8%	4.0%	Our effectiveness in managing our debt portfolio is demonstrated by our low average rate of interest which is benchmarked against other local authorities.

G) The Balance Sheet

The diagram below summarises the Council's Balance Sheet as at 31 March 2021, with comparative information provided for last financial year. The Balance Sheet brings together assets and liabilities, year end balances, money owed to and by the Council and reserves. More information on the balance sheet is provided on page 40.



The Balance Sheet on page 40 summarises the Assets and Liabilities and shows a net worth of £562.3m. This is an increase from last year due to an increased value of Assets of £97.3m and an increase in Liabilities of £43.1m. The main changes to the Council's Balance Sheet are explained below:

Property, Plant and Equipment have increased in value by £82.8m, mainly due to the valuation of our Council Housing stock, driven by the changes in the local housing market, and the investment in new assets across the Council. The Council's main asset groups are revalued on a five year rolling programme.

Current Assets have increased by £14.5m due to an increase in cash and liquid investments, reflecting the additional Scottish Government Grants received during March 2021 and the resultant increase in liquid holdings to mitigate the immediate financial impact of the Covid-19 pandemic.

Reductions in Short and Long Term Borrowing of £15.3m 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 2021 is £180.6m, an increase of £58.5m primarily driven by reduced inflation assumptions, resulting in an increase in the value of pension liabilities, partly offset by an increase in the return on Scheme assets, resulting in the change in the value of the pension assets. Following the latest triennial valuation of the Fund, the current employers' contribution rate of 19.3% has been retained.

The current funding level is 106% providing sufficient security and income to meet future pension liabilities.

Outlook and Risks

Outlook

A) Transformation and Renewal

A programme of projects and activities, which will deliver positive outcomes in accordance with the Council Plan priorities and build sustainable financial savings which will help address the projected funding gaps over the short, medium and long terms, are under development. These are aligned to the Council's Transformation themes, which include:

- Caring for People (Health and Social Care Partnership)
- Land and Property Assets
- Service Delivery Models
- Transport and Travel
- Charging for Services / Funding
- Children, Young People and Communities

Influenced by the experiences from the pandemic response, including lessons learned and recognising good practice, the Council has developed a Recovery and Renewal Strategy which sets out key principles to help shape and influence service delivery and ensure that communities remain at the heart of any activity.

Allied to the feedback from community engagement sessions, carried out in late 2020, the key emerging renewal themes include:

- The needs of vulnerable citizens and families are best served through a locality based model which brings together key council services as well as community associations, the third sector and other agencies in an integrated model of support;
- The pandemic response and in particular the food response to citizens reinforced the requirement for North Ayrshire to develop a sustainable model and network of food support;
- The specific impact of the pandemic on children and young people and the need for a cross Directorate, Multi-agency support network to be put in place;
- The importance of the outdoors to health and well-being and having a sustainable physical environment; and
- New ways of working for Council staff and service delivery, including digital support.

The programme of projects and activities incorporates recent developments in renewal activity and has been consolidated into a Transformation and Renewal Programme which will be supported by a revised governance framework, including programme development and monitoring through the Council's Transformation Board and Executive Leadership Team.

B) The Economy

Economic performance has a significant impact on the availability of funding and demand for public services. The Bank of England's Monetary Policy Report for May 2021 noted that Covid-19 and the actions taken to contain it have continued to have a dramatic and rapidly changing impact on the United Kingdom and countries around the world.

Economic activity is expected to rise sharply in the second quarter of 2021, although it is still well below pre-pandemic levels reflecting the impact of Covid-related restrictions on both demand and supply. The unemployment rate has risen markedly since the beginning of 2020. However, short term predictions have been complicated by the extension of the UK Government's Coronavirus Job Retention Scheme with the unemployment rate predicted to increase further as this scheme comes to an end.

The Consumer Price Index of inflation is currently below the Monetary Policy Committee's target of 2%, reflecting the direct and indirect effects of the pandemic. However, this is projected to rise in the near term as some of those effects fade, with inflation rising above the target by the end of 2021 before returning to around the 2% mark over the medium term. These projections are based on the assumed easing of Covid-related restrictions in line with government plans.

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

C) North Ayrshire Council's Plans

Our Financial Plans

In recognising the financial uncertainty impacted by the pandemic throughout 2020/21, a Finance Recovery Plan was developed and approved by the Council's Cabinet in September 2020. The Plan included an assessment of the financial pressures faced by the Council, the funding support from the Scottish Government and the actions necessary to return a balanced budget position by 31 March 2021. The plan has provided a vital short term financial management framework which has supported and guided our financial monitoring throughout the year.

During 2020/21 North Ayrshire Council also refreshed its Long Term Financial Outlook (LTFO). This recognised that the Council continues to operate in a complex, challenging and uncertain environment with public sector funding failing to keep pace with increasing costs and demand for services. The LTFO highlighted the significant funding pressure that the Council faces and identified an estimated funding shortfall of £120m over the next ten years.

In March 2021 the Council agreed its Medium Term Financial Plan (MTFP) for 2021/22 to 2023/24, with an indicative funding gap of £12.8m remaining in relation to the later years. The plan recognises a likely reduction in government grant and increasing expenditure requirements around inflationary pressures, including pay inflation and significant socio economic and demographic pressures. In addition, the Scottish Government announced a range of additional funding streams to support vulnerable families, meet costs of the education recovery and help address financial pressures associated with the Covid-19 pandemic. Elements of this funding will be utilised over the short and medium terms to help further address the uncertain financial impact of the pandemic and provide support for the recovery and renewal activities included within the Council's Transformation and Renewal Programme.

The Council has also approved a 10 year Capital Investment Programme covering the period up to 2030/31 which will result in total investment of over £373m aligned to the Council's key priorities, as set out in the Council Plan 2019-2024, core asset management plans and our refreshed Capital Investment Strategy. The investment programme has been developed within the context of the pandemic and will support an economic and green recovery and create employment opportunities through a Community Wealth Building approach. The principal elements of the programme include delivery of new education facilities, such as the new Ardrossan Community Campus and Montgomerie Park Primary School; investment in our core assets and infrastructure; significant investments in relation to the Ayrshire Growth Deal and the development of a Solar Photo Voltaic farm which will make a positive contribution to the Council's carbon reduction commitment through the provision of a clean, renewable energy supply.

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;
- **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 increased the level of its Investment Fund to £11.2m with £5m of the Fund already allocated to support specific Climate Change projects including Tree Planting and the development of a Solar PV farm to provide a clean, renewable energy supply.

EU Withdrawal

North Ayrshire Council continues to carefully monitor the impact of the United Kingdom's withdrawal from the European Union on the local economy and the Council's medium and long term financial plans.

The agreement of a trade deal between the UK and the EU has resulted in the reduction or removal of many of the potential short-term risks, particularly those arising from the imposition of tariffs, port congestion and supply chain difficulties, which could have resulted in business failure and higher unemployment.

While it is anticipated that greater certainty about the UK's relationship with the EU is likely to release delayed investment, the Office for Budget Responsibility has indicated that the longer term impact could result in a 4% reduction in GDP. The impact of this potential contraction in economic activity on the local and national economy will continue to be monitored.

Levelling Up and Community Renewal Funding

As part of its 2021 Budget the UK Government announced the Levelling Up Fund, to invest in infrastructure that improves everyday life across the UK, including regenerating town centres and high streets, upgrading local transport, and investing in cultural and heritage assets; and the Community Renewal Fund, which aims to support people and communities most in need across the UK to pilot programmes and new approaches and will invest in skills, community and place, local business and supporting people into employment.

In terms of the Community Renewal Fund, North Ayrshire has been identified as one of 100 'priority areas' across the UK and we will work with communities, businesses and third sector organisations across North Ayrshire to identify suitable projects to maximise investment and benefits for the local economy.

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. During March 2021 the Council identified 8 risks which were classified as either High or Very High.

Those risks classified as Very High were as follows:

Risk and Impact	<u>Financial Environment</u>	<u>Inequalities</u>	<u>Covid-19 Impact</u>
	The level of funding for local government will require North Ayrshire Council to take increasingly difficult and challenging decisions to ensure that service delivery and investment is aligned to available resources. The continuation of single year settlements makes effective medium and long term financial planning challenging.	Residents of North Ayrshire, and in particular certain excluded groups, will experience increasing levels of poverty and its effects as a result of the economic situation and Covid-19. Health inequality is closely linked to poverty, employment and people's earliest experiences as children, and will increase.	Further waves or strains of the virus could result in reductions in service provision to prioritise activities, resulting in delays to key plans, objectives and projects with consequences including financial loss, backlogs, socioeconomic, health and mental health impacts on staff and communities.
Mitigations and Controls	Robust monitoring of the Revenue and Capital budgets. Development of the Long Term Financial Outlook to 2030/31. Medium Term Financial Plan 2021/22 to 2023/24. Further development of the Transformation and Renewal Programme 2021/22 to 2030/31. Anticipated IJB outturn reducing balance of outstanding debt.	Tackling inequalities is a strategic priority of the Community Planning Partnership (CPP), the Council and the HSCP with strategies including Fair for All, the Children's Services Plan, the Child Poverty Action Plan, the Economic Renewal Strategy, Community Wealth Building and the Ayrshire Growth Deal.	Strategic, tactical and operational response groups formed. Effective internal and external digital communication strategy. Hub model adopted by North Ayrshire and Community Partners. North Ayrshire Food System developed to enhance resilience. Identification of recovery, renewal and transformation opportunities.

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

Supplementary Information and Conclusion

Supplementary Information

A) 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 £0.013m resulting in an accumulated surplus as at 31 March 2021 of £2.082m. Details of income and expenditure accounts and balance sheets can be found on page 45 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 46 of these accounts. Overall the Trust Funds reported an in year surplus of £0.008m resulting in an accumulated surplus as at 31 March 2021 of £0.372m. Separate annual accounts and a Trustees' Annual Report have been prepared for the charitable trusts. These are subject to separate external audit and are available on the Council's website at

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

B) 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 £42.392m. 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 39 on page 85.

Conclusion

2020/21 has without doubt been the most challenging year in recent memory. The Council has responded, and continues to respond, to the challenges presented by the pandemic. From a financial management perspective, the year-end outturn position is as a consequence of robust financial recovery planning and actions throughout the year, whilst also recognising the level of funding support from the Scottish Government. The financial impact will continue through 2021/22 and beyond and it is therefore vital that the Council continues to progress its change agenda through the Transformation and Renewal programme to help deliver sustainable financial savings.

The range of supports delivered to citizens, communities and businesses in responding to the pandemic has helped shape the Council's Renewal programme through the Recovery and Renewal Strategy and also strengthened the key priorities in the Council Plan. The learning experience has also helped identify areas of strategic recovery and renewal investment and this is an area which will be progressed further in 2021/22.

During the last year the Council has managed to maintain and even improve performance across a range of areas as well as maintaining key operational and support services. This is against the backdrop of large numbers of Council staff working remotely from home and supported with the technology to enable this.

We have again concluded the year in a period of unprecedented uncertainty and further challenges remain. However, with the progress and achievements to date, and underpinned by sound financial management, we can address the challenges with confidence whilst remaining firmly focussed on the vision for North Ayrshire which is Fair for All.

Where to Find More Information

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

These can be found at:

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

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



Craig Hatton
Chief Executive



Councillor Joe Cullinane
Leader of the Council



Mark Boyd
Head of Finance

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.



Councillor Joe Cullinane
Leader of the Council

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 2021.



Mark Boyd
Head of Service, Finance
23 June 2021

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 2020/21 the salary for the Leader of North Ayrshire Council was set at £35,713 (2019/20: £34,944) and the salary for the Provost was set at £26,785 (2019/20: £26,208), 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 2020/21, the maximum salary which could be paid to a Senior Councillor was £26,785 (2019/20: £26,208) with the maximum number of Senior Councillors set at 14. The total remuneration for Senior Councillors (excluding the Provost and Leader) should not exceed £312,473 (2019/20: £305,746).

As at 31 March 2021 the Council had 9 Senior Councillors. The annual salaries for the Depute Leader and the Leader of largest minority party were set at £26,785 (2019/20: £26,208), the maximum level. The remaining Senior Councillors received an annual salary of £22,320 (2019/20: £21,839), and total remuneration of £209,810 (2019/20: £205,289).

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 2020/21 £	Total Remuneration 2019/20 £
Alex Gallagher Cabinet Member	April 2020	March 2021	22,320	21,839
Ian Clarkson Provost	April 2020	March 2021	26,785	26,208
James Montgomerie Cabinet Member	April 2020	March 2021	22,320	21,839
Joe Cullinane Leader of the Council	April 2020	March 2021	35,713	34,944
John Bell Depute Leader of the Council	April 2020	March 2021	26,785	26,208
Louise McPhater Cabinet Member	April 2020	March 2021	22,320	21,839
Marie Burns Leader of the Largest Minority & Chair, Audit and Scrutiny Committee	April 2020	March 2021	26,785	26,208
Robert Barr Depute Provost	April 2020	March 2021	22,320	21,839
Robert Foster Cabinet Member	April 2020	March 2021	22,320	21,839
Ronnie McNicol Chair, Licensing Committee	April 2020	March 2021	22,320	21,839
Tom Marshall Chair, Planning Committee	April 2020	March 2021	22,320	21,839
Total			272,308	266,441

Remuneration paid to the Provost and Leader of the Council in 2020/21 is £62,498 (2019/20: £61,152). Total remuneration to the remaining 9 Senior Councillors is £209,810 (2019/20: £205,289).

Note: Total remuneration consists of salaries and allowances only.

Remuneration of Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/150 sets the salary for the Chief Executive of North Ayrshire Council for the period 2020/21. 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 2020/21, 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 2020/21 £	Compensation for loss of employment 2020/21 £	Total Remuneration 2020/21 £	Total Remuneration 2019/20 £
Craig Hatton Chief Executive	April 2020	March 2021	143,553	-	143,553	139,372
Craig Hatton Returning Officer/Counting Officer	April 2020	March 2021	1,331	-	1,331	6,633
Audrey Sutton Executive Director, Communities	April 2020	March 2021	115,114	-	115,114	83,871
Karen Yeomans Director, Growth & Investment	April 2020	March 2021	115,114	-	115,114	111,761
Laura Friel Executive Director, Finance & Corporate Support (Full Year Equivalent £115,114)	April 2020	June 2020	28,778	88,210	116,988	111,761
Russell McCutcheon Executive Director, Place	April 2020	March 2021	115,114	-	115,114	107,769
Andrew Fraser Monitoring Officer	April 2020	March 2021	93,415	-	93,415	90,847
David MacRitchie Chief Social Work Officer	April 2020	March 2021	79,283	-	79,283	71,364
James Miller Chief Planning Officer (Full Year Equivalent £66,765)	June 2020	March 2021	55,638	-	55,638	-
Mark Boyd Chief Finance Officer	April 2020	March 2021	93,415	-	93,415	-
Andrew McClelland Head of Service, Learning, Teaching & Curriculum	N/A	N/A	-	-	-	23,899
Caroline Amos Head of Service, Inclusion	N/A	N/A	-	-	-	23,899
Yvonne Baulk Head of Service, Physical Environment	N/A	N/A	-	-	-	23,899
Total			840,755	88,210	928,965	795,075

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 2019/20 and 2020/21 are shown in Table 3.

Table 3: Tier and Member Contribution Rates

Whole time pay bandings 2019/20	Contribution rate	Whole time pay bandings 2020/21
On earnings up to and including £21,800	5.50%	On earnings up to and including £22,200
On earnings above £21,800 and up to £26,700	7.25%	On earnings above £22,201 and up to £27,100
On earnings above £26,700 and up to £36,600	8.50%	On earnings above £27,101 and up to £37,200
On earnings above £36,600 and up to £48,800	9.50%	On earnings above £37,201 and up to £49,600
On earnings above £48,800	12.00%	On earnings above £49,601

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 2021 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 2021 £	For year to 31 March 2020 £	As at 31 March 2021		Difference from 31 March 2020	
			Pension £	Lump Sum £	Pension £	Lump Sum £
Alex Gallagher	4,308	4,399	5,208	1,509	520	17
Ian Clarkson	5,169	5,279	5,908	1,619	648	35
James Montgomerie	4,308	4,399	3,825	-	512	-
Joe Cullinane	6,893	7,039	5,203	-	840	-
John Bell	5,169	5,279	5,994	1,712	636	27
Louise McPhater	4,308	4,399	2,092	-	483	-
Robert Barr	4,308	4,399	3,896	-	485	-
Robert Foster	4,308	4,399	1,773	-	478	-
Ronnie McNicol	4,308	4,399	5,269	1,049	502	5
	43,079	43,991				

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

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

Pension entitlements for senior employees for the year to 31 March 2021 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 2021	For year to 31 March 2020	As at 31 March 2021		Difference from 31 March 2020	
	£	£	Pension £	Lump Sum £	Pension £	Lump Sum £
Craig Hatton Chief Executive	27,706	26,899	87,572	-	5,240	-
Audrey Sutton Executive Director, Communities	22,217	20,317	38,181	45,107	4,775	3,857
Karen Yeomans Director, Growth & Investment	22,217	21,570	19,300	-	2,699	-
Laura Friel Executive Director, Finance & Corporate Support	5,554	21,570	57,971	103,510	1,120	766
Russell McCutcheon Head of Service, Commercial Services Executive Director, Place	22,217	20,800	56,750	100,338	5,375	6,401
Andrew Fraser Monitoring Officer	18,029	17,533	50,374	89,112	3,138	2,450
David MacRitchie Chief Social Work Officer	14,540	13,209	44,481	86,047	4,969	7,887
James Miller Chief Planning Officer	12,717	-	39,624	76,352	4,749	8,051
Mark Boyd Chief Finance Officer	18,029	-	28,493	29,560	2,947	1,412
Andrew McClelland Head of Service, Learning, Teaching & Curriculum	-	17,003	-	-	n/a	n/a
Caroline Amos Head of Service, Inclusion	-	17,003	-	-	n/a	n/a
Yvonne Baulk Head of Service, Physical Environment	-	17,003	-	-	n/a	n/a
Total	163,226	192,907				

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

Remuneration paid to Councillors

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

Table 7: Total Remuneration Paid to Councillors

Type of Remuneration	2020/21 £	2019/20 £
Salaries	663,902	679,193
Expenses	4,870	47,160
Total	668,772	726,353

The annual return of Councillors' salaries and expenses for 2020/21 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 Employees	
	As at 31 March 2021	As at 31 March 2020
£50,000-£54,999	129	136
£55,000-£59,999	65	84
£60,000-£64,999	68	58
£65,000-£69,999	26	17
£70,000-£74,999	5	8
£75,000-£79,999	6	6
£80,000-£84,999	4	2
£85,000-£89,999	8	8
£90,000-£94,999	5	3
£95,000-£99,999	-	-
£100,000-£104,999	-	-
£105,000-£109,999	2	3
£110,000-£114,999	-	2
£115,000-£119,999	4	1
£120,000-£124,999	-	1
£125,000-£129,999	-	-
£130,000-£134,999	-	-
£135,000-£139,999	-	1
£140,000-£144,999	1	-
Total	323	330

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 2020/21, either through the voluntary early release scheme or voluntary redundancy. There were no compulsory redundancies.

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

- Redundancy payment;
- Strain on the fund cost (the amount which the Council is required to pay to the pension fund because the employee has retired before the assumed retirement age);
- Added Years Lump Sum (the amount which the Council pays to the individual in a one-off lump sum, according to the compensatory added years awarded - maximum three years); and
- A capitalised value of the recurring Compensatory Added Years payment. This represents the amount which the Council has to pay to the pension fund because the employee has retired with enhanced service (maximum three years). This amount is paid on an annual basis once a person has left employment with the Council and is therefore a notional cost at 31 March 2021. Following approval of the revised Local Government and Teachers early release schemes in August 2018, Compensatory Added Years is no longer paid for any severances after 31 March 2019.

The figures include employees who have committed to leave during 2020/21, although their actual leaving date may be later than 31 March 2021.

Table 9: Exit Packages

Band	2020/21		2019/20	
	Number of Employees	Value £	Number of Employees	Value £
£0-£20,000	6	58,062	9	92,169
£20,001-£40,000	2	47,020	5	143,623
£40,001-£60,000	3	163,914	3	140,270
£60,001-£80,000	1	60,326	2	155,385
£80,001+	2	231,804	3	516,424
	14	561,126	22	1,047,871

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 2020/21, 129 employees (2019/20: 145) were relevant trade union officials and 53 of these employees (2019/20: 53) spent a proportion of their working hours on facility time:

Percentage of Time	Number of Employees (Headcount)
0%	76
1% - 50%	50
51% - 99%	2
100%	1

The percentage of the total paybill spent on facility time was 0.06% (2019/20: 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 1.2% (2019/20: 4.75%).

The Trade Union Facility Time Statement for 2020/21 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



Councillor Joe Cullinane
Leader of the Council

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, Cunninghame House, Irvine KA12 8EE.

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

The Purpose of the Governance Framework

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

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

The Governance Framework

The main features of the governance framework that was in place during 2020/21 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and also included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Leader of the Main Opposition, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. A 'Policy Advisory Panel' consisting of all elected members assisted in the preparation of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in December 2020.
- 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 and vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators.
- A 'People Strategy' entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the Council. Regular reporting to Elected Members takes place and a wide range of performance information is available on the 'North Ayrshire Performs' website.
- The Council has adopted a 'Code of Conduct' for all of its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place.
- The approach to risk management is set out in the Risk Management Strategy. The Council's strategic risk register is refreshed annually and for 2020/21 was approved by Cabinet in March 2020.
- 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.
- 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;
- In order to ensure its asset management arrangements are robust, the Council has established the Corporate Asset Strategy. A Technology Strategy and a Digital Strategy are in place to support the ICT asset management plan and the transformation agenda. This asset management approach is underpinned by 6 themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet. These asset management plans were last refreshed during 2019/20.
- 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 was updated during the year to cover the period 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.
- 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.

Although the governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2021, there has been a period of disruption due to the impact of the pandemic, most notably the suspension of North Ayrshire Council committees through April, May until early June 2020. Since this time committees have been delivered in a virtual setting.

The System of Internal Financial Control

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

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

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

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

Review of Effectiveness of the Governance Framework

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (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 5-year audit plan and complies with the Public Sector Internal Audit Standards (PSIAS) in carrying out its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2020/21.

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 1st June 2021.

The Internal Audit Annual Report 2020/21 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.

Significant Governance Developments during 2020/21

A Best Value Audit Review was carried out 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; it is extremely positive and demonstrates significant improvement since the previous review in 2011, providing significant assurance that the Council complies with its statutory duty to secure Best Value. The key messages from the report include the following:

- The Council has a strong culture of continuous improvement
- There is a strong culture of collaborative working
- Despite significant economic and demographic challenges, the Council is performing well and is a frequent award winner and early adopter of national pilots
- The Council's arrangements for financial planning and management are good overall and it has significantly improved its asset management and procurement arrangements
- The Council is committed to community empowerment and is recognised by the Scottish Government and COSLA as a sector leader.

A new Long-term Financial Outlook (covering the period 2021/22 to 2030/31) and Medium-term Financial Outlook (covering 2021/22 to 2023/24) were approved by the Council in December 2020. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The Revenue Estimates 2021/22 to 2023/24 and Capital Investment Programme 2021/22 to 2030/31 were approved by Council in March 2021.

To ensure ongoing compliance with Section 95 of the Local Government (Scotland) Act 1973, the Council appointed the Head of Finance as its statutory officer with responsibility for financial matters, following the retirement of the Executive Director (Finance and Corporate Support), who previously held this role. The Senior Manager (Planning Services) was appointed as the statutory Chief Planning Officer to comply with the new requirements of the Planning (Scotland) Act 2019.

The Council created a new temporary post of Head of Service (Recovery and Renewal) in May 2020 in order to provide additional capacity at Chief Officer level to respond to the pandemic and to co-ordinate the emergence from lockdown and the transformation of service delivery. A Recovery and Renewal Strategy was approved by Cabinet in September alongside a Covid-19 Financial Recovery Plan.

2020/21 was a 'shadow year' for the implementation of the new CIPFA Financial Management Code 2019, a key goal of which is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The Council undertook an initial assessment of compliance with the FM Code and is satisfied that its governance and processes satisfy the principles of good financial management as outlined in the Code.

Covid-19 Governance Arrangements

On 11th March 2020 the World Health Organisation declared the outbreak of COVID-19 as a global pandemic and on 23rd March 2020 the United Kingdom entered a first period of lockdown. Further periods of lockdown were imposed during 2020/21.

From a general governance perspective, at the commencement of the first period of lockdown the Chief Executive formed an Emergency Management Team (EMT) which included the Leader of the Council, Executive Directors and Heads of Service. The meetings were initially held on a daily basis and all pandemic response decisions were considered, actioned and minuted.

The pandemic has had an unprecedented impact on the governance and operations of the Council. Meetings of the Council and its committees were suspended during April, May and June 2020. The Council's Scheme of Delegation to Officers allows the Chief Executive to consider and deal with any urgent issues, howsoever arising, subject to reporting back to the Cabinet for information at the first available opportunity, with this power exercised in consultation with the relevant Chief Officer and the relevant Elected Members. During the period that meetings were suspended, the Chief Executive undertook the following consultation prior to making a decision:

- Matters that would normally be considered by Council – consultation with the Group Leaders of the Labour, SNP and Conservative Groups and one of the Independent Members
- Matters that would normally be considered by Cabinet or another Committee of the Council – consultation with the Leader (for Cabinet), Committee Chair (other Committees) and Portfolio Holder (if different)
- Controversial Council matters – consultation with all Elected Members to understand whether there is likely to be support. 'Controversial' is as defined in the Scheme of Delegation.

In the interests of transparency, decision notices in respect of matters determined under the emergency governance arrangements are published on the Council's website on a fortnightly basis, together with the relevant officer report. Reports were made to Cabinet on 30 June 2020 and 8 September 2020 on all decisions made by the Chief Executive under emergency delegated powers.

Meetings resumed at the end of June 2020 and were held virtually for the remainder of 2020/21. These are either broadcast live or recorded and uploaded to allow the public to view proceedings while Covid restrictions prevent physical meetings with public attendance.

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

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

Planned Actions for 2021/22

The Council has a number of planned actions for 2021-22 which will help to further strengthen the governance framework:

- Building on the existing governance structure in place for the Transformation and Renewal Programme, which includes a Transformation Board and the Executive Leadership Team, work is being finalised to fully embed a corporate monitoring framework which will underpin the programme.
- Further strengthening of governance and monitoring arrangements across programme boards and the Executive Leadership Team, due to the scale and complexity of the Growth and Investment portfolio.
- Revising and relaunching the Whistleblowing Policy
- Revising the Locality Partnership Standing Orders
- Developing and implementing processes and software which will enable 'hybrid' Committee meetings to be held utilising both physical and remote attendance.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2020/21 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

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



Craig Hatton
Chief Executive



Councillor Joe Cullinane
Leader of the Council

Independent Auditor's Report

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

Under arrangements approved by the commission for Local Authority accounts in Scotland, the auditor with responsibility for the audit of the annual accounts of North Ayrshire Council for the year ended 31 March 2021 is:

Deloitte LLP
10 Queen Street
Glasgow
G1 3BX

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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 2019/20 figures have been restated to reflect changes in the service structure, which do not change the Net Cost of Services reported for the year, and an adjustment in relation to the Clyde Valley Waste service concession arrangement as detailed in Note 3 on page 52.

	Notes	North Ayrshire Council 2020/21			Group	North Ayrshire Council 2019/20 (Restated)			Group
		Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m	Gross Expend £m	Gross Income £m	Net Expend £m	Net Expend £m
Chief Executive		69.344	(43.013)	26.331	26.330	71.180	(45.397)	25.783	25.783
Communities		155.563	(27.524)	128.039	128.026	147.616	(22.164)	125.452	126.057
Place		136.763	(31.417)	105.346	105.345	142.993	(38.325)	104.668	104.668
Health and Social Care Partnership		241.749	(144.436)	97.313	97.312	233.626	(129.309)	104.317	104.317
Other Corporate Items		6.164	(2.022)	4.142	4.142	0.668	(0.802)	(0.134)	(0.134)
Cost Of General Fund Services		609.583	(248.412)	361.171	361.155	596.083	(235.997)	360.086	360.691
Housing Revenue Account		41.466	(50.531)	(9.065)	(9.065)	41.532	(49.524)	(7.992)	(7.992)
Net Cost of Services		651.049	(298.943)	352.106	352.090	637.615	(285.521)	352.094	352.699
Associates and joint ventures accounted for on an equity basis		-	-	-	(5.525)	-	-	-	(3.119)
Other Operating Expenditure and Income	4	0.001	-	0.001	0.001	-	(0.139)	(0.139)	(0.139)
Financing and Investment Income and Expenditure	5	44.046	(21.677)	22.369	22.366	48.110	(23.607)	24.503	24.466
Taxation and Non-Specific Grant Income	8	-	(413.966)	(413.966)	(413.966)	-	(370.811)	(370.811)	(370.811)
(Surplus) or Deficit on Provision of Services		695.096	(734.586)	(39.490)	(45.034)	685.725	(680.078)	5.647	3.096
(Surplus) / Deficit on revaluation of fixed assets	31			(52.264)	(52.315)			(9.031)	(8.140)
Actuarial (gains)/losses on pension assets/liabilities	31			37.620	37.620			(102.295)	(102.295)
Share of other comprehensive expenditure and income of associates and joint ventures				-	0.440			-	(3.147)
Other Comprehensive Income and Expenditure				(14.644)	(14.255)			(111.326)	(113.582)
Total Comprehensive Income and Expenditure				(54.134)	(59.289)			(105.679)	(110.486)

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.

The 2019/20 figures have been restated in relation to the adjustments for the Clyde Valley Waste service concession arrangement as detailed in Note 3 on page 52.

	Notes	General Fund Balance £m	Statutory Housing Revenue Account £m	Capital and Other Reserves £m	Total Usable Reserves £m	Unusable Reserves (Restated) £m	Total Authority Reserves £m	Council's Share of Group Entity Reserves £m	Total Group Reserves £m
Balance at 1 April 2019		31.863	12.413	9.251	53.527	348.955	402.482	32.430	434.912
Total Comprehensive Expenditure and Income		(23.085)	17.438	-	(5.647)	111.326	105.679	4.807	110.486
<i>Adjustments between accounting basis and funding basis under regulations</i>	11	26.276	(18.953)	(1.991)	5.332	(5.332)	-	-	-
Net increase/(decrease) before transfers to other statutory reserves		3.191	(1.515)	(1.991)	(0.315)	105.994	105.679	4.807	110.486
Transfers to/(from) other statutory reserves		(0.472)	-	0.472	-	-	-	-	-
Net Increase/(Decrease)	12	2.719	(1.515)	(1.519)	(0.315)	105.994	105.679	4.807	110.486
Balance at 31 March 2020	12, 31	34.582	10.898	7.732	53.212	454.949	508.161	37.237	545.398
Total Comprehensive Expenditure and Income		18.508	20.982	-	39.490	14.644	54.134	5.155	59.289
<i>Adjustments between accounting basis and funding basis under regulations</i>	11	20.652	(17.659)	(1.411)	1.582	(1.582)	-	-	-
Net increase/(decrease) before transfers to other statutory reserves		39.160	3.323	(1.411)	41.072	13.062	54.134	5.155	59.289
Transfers to/(from) other statutory reserves		(0.179)	-	0.179	-	-	-	-	-
Net Increase/(Decrease)	11	38.981	3.323	(1.232)	41.072	13.062	54.134	5.155	59.289
Balance at 31 March 2021	12, 31	73.563	14.221	6.500	94.284	468.011	562.295	42.392	604.687

Balance Sheet

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

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

The balances as at 31 March 2020 have been restated in relation to the adjustments for the Clyde Valley Waste service concession arrangement as detailed in Note 3 on page 52.

		As at 31 March 2021 £m	Group 31 March 2021 £m	As at 31 March 2020 (Restated) £m	Group 31 March 2020 £m
	Notes				
Property, Plant & Equipment	13	1,095.421	1,099.448	1,012.078	1,016.148
Heritage Assets	16	1.327	1.327	1.327	1.327
Intangible Assets	17	0.265	0.265	0.537	0.537
Assets Held for Sale	15	1.002	1.002	0.740	0.740
Long Term Investments		-	0.154	0.350	0.504
Investment in Associates and Joint Ventures		-	31.413	-	27.571
Long Term Debtors	22	0.439	0.147	0.649	0.147
Long Term Assets		1,098.454	1,133.756	1,015.681	1,046.974
Inventories	23	0.947	0.947	1.140	1.140
Short Term Intangible Assets		-	-	-	-
Short Term Investments	20	10.025	10.025	30.031	30.031
Short Term Debtors	24	53.491	53.536	42.913	42.952
Cash and Cash Equivalents	38	29.912	29.912	5.777	5.777
Current Assets		94.375	94.420	79.861	79.900
Short Term Borrowing	26	(52.661)	(52.661)	(90.719)	(90.719)
Short Term Creditors	27	(83.574)	(74.942)	(65.641)	(56.867)
Short Term Provisions	28	(1.322)	(1.322)	(2.699)	(2.699)
Current Liabilities		(137.557)	(128.925)	(159.059)	(150.285)
Long Term Borrowing	20	(208.417)	(208.417)	(198.392)	(198.392)
Long Term Creditors	20	(103.983)	(103.983)	(107.814)	(107.814)
Other Long Term Liabilities	30	(180.577)	(180.577)	(122.116)	(122.116)
Liabilities in Associates and Joint Ventures	39	-	(1.587)	-	(2.869)
Long Term Liabilities		(492.977)	(494.564)	(428.322)	(431.191)
Net Assets		562.295	604.687	508.161	545.398
Usable Reserves	12	94.284	94.284	53.212	53.212
Unusable Reserves	31	468.011	468.011	454.949	454.949
Group Reserves	39	-	42.392	-	37.237
Total Reserves		562.295	604.687	508.161	545.398



The unaudited accounts were issued on 23 June 2021.

Mark Boyd
Head of Finance

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 2020/21 £m	Group 2020/21 £m	NAC 2019/20 (Restated) £m	Group 2019/20 £m
Net deficit on the provision of services		(39.490)	(45.034)	5.647	3.096
Adjust net surplus on the provision of services for non-cash movements	35	(82.054)	(76.510)	(71.336)	(68.539)
Adjust for items included in the net deficit on the provision of services that are investing and financing activities	35	50.337	50.337	39.973	39.973
Net cash flows from Operating Activities		(71.207)	(71.207)	(25.716)	(25.470)
Investing Activities	36	13.543	13.543	60.358	60.358
Financing Activities	37	33.529	33.529	(25.867)	(25.867)
Net (increase) or decrease in Cash and Cash Equivalents		(24.135)	(24.135)	8.775	9.021
Cash and Cash Equivalents at the beginning of the reporting period		(5.777)	(5.777)	(14.552)	(14.798)
Cash and Cash Equivalents at the end of the reporting period	38	(29.912)	(29.912)	(5.777)	(5.777)

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.

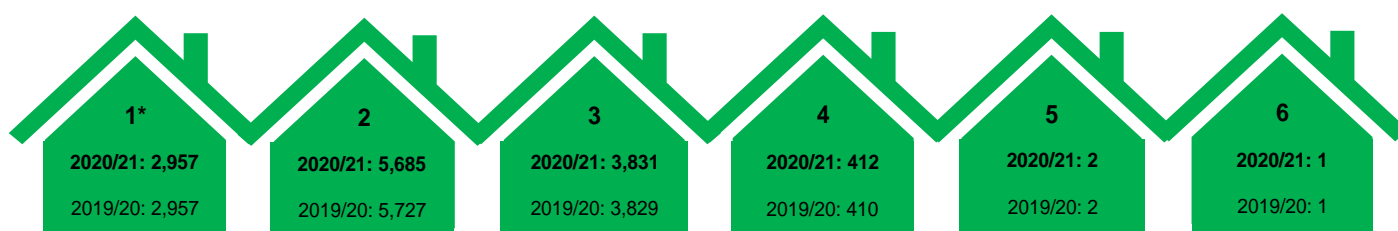
	2020/21 £m	2019/20 £m
Income		
Dwelling Rents	(49.657)	(48.096)
Non-dwelling Rents	(0.282)	(0.306)
Other Income	(0.397)	(0.806)
Total Income	(50.336)	(49.208)
Expenditure		
Repairs and Maintenance	16.027	16.645
Supervision and Management	9.227	10.051
Depreciation and Impairment on Non-Current Assets	15.045	14.000
Bad Debts and movement in Bad Debt Provision	0.829	0.456
Rent, Rates, Taxes and Other Charges	0.038	0.044
Sums directed by Scottish Government Ministers that are expenditure in accordance with IFRS	0.105	0.020
Total Expenditure	41.271	41.216
Net Income of Services as included in the CIES	(9.065)	(7.992)
Corporate & Democratic Core	0.137	0.166
Net Income for HRA Services	(8.928)	(7.826)
Taxation and Non-Specific Grant Income and Expenditure	(17.020)	(14.623)
(Gain)/Loss on Sale of HRA Non-Current Assets	(0.014)	(0.026)
Interest Payable and Similar Charges	4.924	4.981
Interest and Investment Income	(0.035)	(0.093)
Pension Interest Cost and Expected Return on Pension Assets	0.091	0.149
Surplus for the Year on HRA Services	(20.982)	(17.438)

Movement on the Housing Revenue Account Statement

	2020/21 £m	2019/20 £m
Surplus for the Year on HRA Income and Expenditure Statement	(20.982)	(17.438)
Adjustments between Accounting Basis and Funding Basis under statute	17.659	18.953
Reduction in Year on the HRA	(3.323)	1.515
Balance on the HRA at 1 April 2020	(10.898)	(12.413)
Balance on the HRA at 31 March 2021	(14.221)	(10.898)

Housing Stock

The Council's total housing stock at 31 March 2021 was 12,888 (12,926 at 31 March 2020) in the following categories:



*Includes Studio and One bedroom

Statutory Adjustments between Accounting Basis and Funding Basis

	2020/21 £m	2019/20 £m
Gain / (Loss) on sale of HRA non-current assets	0.014	0.026
Capital expenditure funded by the HRA	12.252	15.516
Transfer (to)/from the Capital Adjustment Account:		
Depreciation and Impairment	(15.046)	(14.000)
Repayment of Debt	3.832	3.269
Capital grants and contributions that have been applied to capital financing	17.020	14.623
HRA share of contributions to the Pensions Reserve	(0.651)	(0.802)
HRA share of transfer to the Financial Instruments Adjustment Account	0.324	0.315
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(0.086)	0.006
Total Adjustments between Accounting Basis and Funding Basis under statute	17.659	18.953

Other Information

	2020/21	2019/20
Average weekly rent (52 weeks)	£74.45	£72.29
Bad debts written off in respect of former tenants	£0.221m	£0.319m
Total Rent Arrears	£3.957m	£2.368m
Bad Debt Provision - housing rents	£1.844m	£1.333m
Bad Debt Provision - other debtors	£0.789m	£0.690m
Void Rent Loss	£0.252m	£0.292m

Common Good and Trusts

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

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

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

None of the Common Good Funds are registered charities.

Movement in Reserves Statement	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Balance at 1 April 2020	0.532	2.512	0.664	0.167	0.017	0.249	4.141
Surplus/(Deficit) For the Year	0.038	(0.024)	(0.017)	-	-	0.014	0.011
Surplus on the Disposal of Assets	-	0.002	-	-	-	-	0.002
Surplus/(Deficit) on the Revaluation of Fixed Assets	(0.010)	(0.050)	0.051	(0.008)	-	(0.010)	(0.027)
Balance at 31 March 2021	0.560	2.440	0.698	0.159	0.017	0.253	4.127

Income and Expenditure Account	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Income	(0.039)	(0.054)	(0.013)	-	-	(0.015)	(0.121)
Expenditure	0.001	0.078	0.030	-	-	0.001	0.110
(Surplus)/Deficit For the Year	(0.038)	0.024	0.017	-	-	(0.014)	(0.011)
Capital Receipts	-	(0.002)	-	-	-	-	(0.002)
Surplus Brought Forward	(0.242)	(1.124)	(0.460)	(0.067)	(0.017)	(0.159)	(2.069)
Accumulated Surplus as at 31 March 2021	(0.280)	(1.102)	(0.443)	(0.067)	(0.017)	(0.173)	(2.082)

Balance Sheet at 31 March 2021	Ardrossan £m	Irvine £m	Largs £m	Millport £m	Saltcoats £m	Stevenston £m	Total £m
Investment Properties	0.280	1.338	0.255	0.092	-	0.080	2.045
Cash invested in NAC on behalf of the funds	0.280	1.102	0.443	0.067	0.017	0.173	2.082
	0.560	2.440	0.698	0.159	0.017	0.253	4.127
Capital Adjustments Account	-	(1.025)	(0.093)	-	-	(0.066)	(1.184)
Revaluation Reserve	(0.280)	(0.313)	(0.162)	(0.092)	-	(0.014)	(0.861)
Common Good Balance	(0.280)	(1.102)	(0.443)	(0.067)	(0.017)	(0.173)	(2.082)
	(0.560)	(2.440)	(0.698)	(0.159)	(0.017)	(0.253)	(4.127)

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

Income and Expenditure Account	North Ayrshire Charitable Trust £m	Town Trusts £m	Douglas Sellers Trust £m	Anderson Park Trust £m	Margaret Archibald Trust £m	Other Bequests £m	Total £m
Surplus at 1 April 2020	(0.086)	(0.050)	(0.001)	(0.001)	(0.184)	(0.042)	(0.364)
Income	(0.006)	-	-	-	(0.007)	-	(0.013)
Expenditure	0.001	0.001	-	-	0.003	-	0.005
(Surplus) / Deficit at 31 March 2021	(0.005)	0.001	-	-	(0.004)	-	(0.008)
Accumulated (surplus) / deficit at 31 March 2021	(0.091)	(0.049)	(0.001)	(0.001)	(0.188)	(0.042)	(0.372)

Balance Sheet at 31 March 2021	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	0.078	0.049	0.001	0.001	0.048	0.041	0.218
	0.236	0.049	0.001	0.001	0.188	0.042	0.517
Capital Adjustments Account	(0.026)	-	-	-	-	-	(0.026)
Revaluation Reserve	(0.119)	-	-	-	-	-	(0.119)
Trust Fund Balance	(0.091)	(0.049)	(0.001)	(0.001)	(0.188)	(0.042)	(0.372)
	(0.236)	(0.049)	(0.001)	(0.001)	(0.188)	(0.042)	(0.517)

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.

	2020/21 £m	2019/20 £m
Gross rates levied	57.612	57.132
Less:		
Reliefs and other deductions	(29.408)	(14.066)
Write-offs of Uncollectable debts and allowance for impairment	(0.458)	(0.608)
Net Non-Domestic Rate Income	27.746	42.458
Adjustment for years prior to the introduction of the pool	(2.310)	(1.490)
Net contribution (to) / from National Non-Domestic Rate pool	(0.419)	0.156
Net NDR Income	25.017	41.124
Non Domestic Rates Income Retained (BRIS)	-	-
Net NDR Income transferred to General Fund	25.017	41.124

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 2020/21 was 52.4p for subjects with a rateable value more than £95,000, 51.1p for subjects with a rateable value of more than £51,000 but equal to or less than £95,000 and 49.8p for subjects with a rateable value equal to or less than £51,000.

North Ayrshire Council Rateable Values at 1 April 2020	£m
Commercial	76.796
Industrial and Freight Transport	31.640
Public Undertakings	4.153
Others	1.690
Less: Part Residential and Fishing Rights rateable values not billed for	(0.227)
Total	114.052

Analysis of Rateable Values	2020/21 £m
Rateable Value at 1 April 2020	114.052
Adjustments (Full Year Rateable Value)	(0.814)
Rateable Value at 31 March 2021	113.238
Less: Wholly Exempt Subjects	(1.075)
Net Rateable Value at 31 March 2021	112.163

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.

	2020/21 £m	2019/20 £m
Gross Council Tax levied and contributions in lieu	85.052	80.671
Adjustment for prior years Council Tax	(0.677)	0.757
	84.375	81.428
Adjusted for:		
Council Tax Reduction	(12.877)	(11.609)
Other discounts and reductions	(11.069)	(10.729)
Provision for Non-collection	(3.094)	(2.079)
	(27.040)	(24.417)
Net Council Tax Income transferred to General Fund	57.335	57.011

North Ayrshire Council Tax per Band

Based on the Council Tax base available to North Ayrshire Council, the band D charge for 2020/21 was £1,342.69.

2019/20 £	Band	2020/21 £
853.80	A	895.12
996.10	B	1,044.31
1,138.40	C	1,193.49
1,280.70	D	1,342.69
1,682.69	E	1,764.14
2,081.13	F	2,181.86
2,508.03	G	2,629.42
3,137.71	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	2020/21 Band D Equivalent Dwellings	2019/20 Band D Equivalent Dwellings
Band A*			(45)	6	29	10	56%	6	7
Band A	21,723	1,136	(46)	3,420	6,706	10,507	67%	7,005	7,166
Band B	18,483	456	58	2,171	4,089	11,709	78%	9,107	9,186
Band C	7,254	187	(8)	939	951	5,185	89%	4,609	4,616
Band D	7,071	139	(48)	738	489	5,753	100%	5,753	5,737
Band E	8,997	140	52	736	308	7,761	131%	10,197	10,218
Band F	4,039	61	26	254	84	3,614	163%	5,873	5,857
Band G	1,218	19	9	69	26	1,095	196%	2,144	2,148
Band H	58	-	2	7	-	49	245%	120	123
Contributions in respect of classes 17 and 24 dwellings: Band D equivalent								4	4
Sub-total						45,683		44,818	45,062
Less Bad Debt Provision at 3.5%								(1,569)	(1,577)
Council Tax Base								43,249	43,485

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

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 2019/20 figures have been restated to reflect changes in the service structure, which do not change the Net Cost of Services reported for the year, and an adjustment in relation to the Clyde Valley Waste service concession arrangement as detailed in Note 3 on page 52.

	2020/21			2019/20 (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	23.408	2.923	26.331	21.615	4.168	25.783
Communities	137.499	(9.460)	128.039	129.664	(4.212)	125.452
Place	62.660	42.686	105.346	60.867	43.801	104.668
Health and Social Care Partnership	92.380	4.933	97.313	97.973	6.344	104.317
Other Corporate Items	4.212	(0.070)	4.142	5.642	(5.776)	(0.134)
Cost Of General Fund Services	320.159	41.012	361.171	315.761	44.325	360.086
Housing Revenue Account	8.732	(17.797)	(9.065)	11.128	(19.120)	(7.992)
Net Cost of Services	328.891	23.215	352.106	326.889	25.205	352.094
Other Income and Expenditure	(371.374)	(20.222)	(391.596)	(328.565)	(17.882)	(346.447)
(Surplus) or Deficit on Provision of Services	(42.483)	2.993	(39.490)	(1.676)	7.323	5.647
General Fund and HRA Balance at 1 April	(45.480)			(44.276)		
(Surplus) or Deficit on Provision of Services	(42.483)			(1.676)		
Transfers to/from Other Statutory Reserves	0.179			0.472		
General Fund and HRA Balance at 31 March (Note 12)	(87.784)			(45.480)		

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	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	(0.587)	2.923
Communities	0.126	4.436	(14.022)	(9.460)
Place	36.109	5.924	0.653	42.686
Health and Social Care Partnership	0.101	6.440	(1.608)	4.933
Other Corporate Items	(0.019)	(1.667)	1.616	(0.070)
Cost Of General Fund Services	37.853	17.107	(13.948)	41.012
Housing Revenue Account	(18.073)	0.651	(0.375)	(17.797)
Net Cost of Services	19.780	17.758	(14.323)	23.215
Other Income and Expenditure from the Funding Analysis	(43.043)	3.083	19.738	(20.222)
Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit	(23.263)	20.841	5.415	2.993

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20 (Restated)			
	Adjustments for Capital Purposes (Note A) £m	Net Change for Pension Adjustments (Note B) £m	Other Differences (Note C) £m	Total Adjustments £m
Chief Executive	1.208	2.877	0.083	4.168
Communities	0.580	6.405	(11.197)	(4.212)
Place	35.909	8.810	(0.918)	43.801
Health and Social Care Partnership	0.029	9.144	(2.829)	6.344
Other Corporate Items	0.237	(7.487)	1.474	(5.776)
Cost Of General Fund Services	37.963	19.749	(13.387)	44.325
Housing Revenue Account	(19.434)	0.801	(0.487)	(19.120)
Net Cost of Services	18.529	20.550	(13.874)	25.205
Other Income and Expenditure from the Funding Analysis	(36.919)	4.919	14.118	(17.882)
Difference between the General Fund surplus and the Comprehensive Income and Expenditure Statement Surplus or Deficit	(18.390)	25.469	0.244	7.323

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.

	2020/21 £m	2019/20 £m
Expenditure		
Employee Benefits Expenses	277.070	263.517
Other Service Expenses	321.081	322.135
Depreciation, Amortisation and Impairment	52.898	51.988
Interest Payments	44.046	48.110
Losses on Disposal of Assets	0.001	-
Total Expenditure	695.096	685.750
Income		
Fees, Charges and Other Service Income	(298.943)	(285.521)
Gains on Disposal of Assets	-	(0.139)
Interest and Investment Income	(21.677)	(23.607)
Council Tax	(57.336)	(57.011)
Government Grants and Contributions	(356.630)	(313.800)
Total Income	(734.586)	(680.078)
Deficit on the Provision of Services	(39.490)	5.672

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: Restatement of Opening Balances

During 2019/20 North Ayrshire Council entered into a 25 year contract for the operation of a waste recycling facility under the Clyde Valley Waste project. This contract has been identified as containing a service concession arrangement. To recognise the proper accounting arrangements for this contract, the balances at 31 March 2020 have been restated to include the value of the asset and liabilities, including:

Property Plant and Equipment	£4.530m	Short Term Creditors	(£0.122m)
Long Term Creditors	(£4.383m)	Unusable Reserves	(£0.025m)

Full details of the contract are included at Note 19: Private Finance Initiatives, Non Profit Distributing Models and Similar Contracts.

Note 4: Other Operating Expenditure and Income

	2020/21 £m	2019/20 £m
(Gains)/losses on the disposal of non current assets	0.001	(0.139)
Total	0.001	(0.139)

Note 5: Financing and Investment Income and Expenditure

	2020/21 £m	2019/20 £m
Interest payable and similar charges	19.285	19.667
Pensions interest cost and expected return on pensions assets	3.170	5.067
Interest receivable and similar income	(0.086)	(0.231)
Total	22.369	24.503

Note 6: Material Items

The Comprehensive Income and Expenditure Statement (CIES) includes material items in relation to actuarial losses on the net pension liability, £37.6m, related to reduced inflation assumptions, resulting in an increase in the value of pension liabilities, partly offset by an increase in the return on Scheme assets, and additional Scottish Government grants to support the Council's response to the Covid-19 pandemic, (£31.3m).

Note 7: Agency Services

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

	2020/21 £m	2019/20 £m
Agency income from Scottish Water	(0.514)	(0.515)
Cost of Collection associated with Scottish Water income	0.078	0.125

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:

	2020/21 £m	2019/20 £m
Agency income from Business Grants	(0.255)	-
Agency income from Other Grants	(0.065)	-

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

	2020/21 £m	2019/20 £m
Business Grants Paid to Third Parties	39.244	-
Hardship Grants	1.048	-
Early Learning & Childcare Grants	0.200	-
Self Isolation Grants	0.101	-
Transport and Employability Grants	0.047	-

The Council also bills and collects Non Domestic Rates on behalf of the Scottish Government. During 2020/21 the Council collected £25.436m which was reduced by (£0.419m) from the National Non Domestic Rates Pool. (2019/20 : £40.968m and £0.156m).

Note 8: Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

	2020/21 £m	2019/20 £m
Credited to Taxation and Non Specific Grant Income		
General Revenue Grant	(281.545)	(233.566)
Council Tax	(57.335)	(57.011)
Capital Grants and Contributions	(50.069)	(39.110)
Non Domestic Rates	(25.017)	(41.124)
Total	(413.966)	(370.811)
Credited to Services		
Housing Benefit Funding	(39.030)	(41.895)
Health Resource Transfer	(23.979)	(23.381)
Early Years	(12.440)	(7.294)
COVID-19 HSCP Grant	(6.536)	-
Attainment Grant	(5.497)	(5.730)
Pupil Equity Fund	(3.935)	(4.657)
Criminal Justice Grant	(3.439)	(3.385)
Schools for the Future	(3.369)	(3.367)
Adult Social Care Winter Plan	(3.248)	-
Further Integration Authority Support	(2.831)	-
Additional Teachers & Support Staff	(1.439)	-
EMA & Activity Agreements	(0.786)	(0.647)
Better Off North Ayrshire	(0.661)	(0.145)
Benefit Admin Subsidy	(0.657)	(0.605)
Syrian Relocation Grant	(0.635)	(0.724)
Vulnerable Children & Young People	(0.553)	-
Free School Meals	(0.525)	-
Pipeline Grant	(0.516)	(0.566)
Care Experienced Children & Young People	(0.515)	(0.268)
Community Living Change Fund	(0.513)	-
COVID-19 Discretionary Fund	(0.462)	-
Support for People at Risk	(0.455)	-
Sports Facilities Grant	(0.422)	(0.372)
General Capital Grant	(0.362)	(0.612)
No-One Left Behind	(0.300)	(0.100)
Additional Discretionary Housing	(0.288)	-
Parental Employability Support	(0.256)	-
Equalities Unit Funding	(0.210)	(0.210)
Paths for All	(0.203)	(0.247)
Unaccompanied Asylum-Seeking Children	(0.174)	(0.066)
Creative Scotland Grants	(0.173)	(0.176)
European Regional Development Fund	(0.173)	(0.147)
Skills Development Scotland	(0.125)	(0.253)
Making Waves Tourism Grant	(0.101)	(0.395)
Other Minor Grants	(2.053)	(1.696)
Total	(116.861)	(96.938)

Note 9: 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:

	2020/21 £m	2019/20 £m
Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.310	0.303
Total	0.310	0.303

Note 10: Leases

Council as Lessee

Operating Leases

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

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

	2020/21 £m	2019/20 £m
Not later than one year	0.147	0.099
Later than one year and not later than five years	0.337	0.046
	0.484	0.145

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

	2020/21 £m	2019/20 £m
Minimum Lease Payments	0.131	0.120

Finance Leases

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

Council as Lessor

Finance Leases

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

Operating Leases

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

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

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

Note 11: 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 2020/21	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
Reversal of items debited or credited to the CIES	£m	£m	£m	£m	£m
Charges for depreciation of non current assets	32.244	15.016	-	47.260	(47.260)
Amortisation of intangible assets	0.272	-	-	0.272	(0.272)
Impairment of non current assets	5.336	0.030	-	5.366	(5.366)
Capital grants and contributions that have been applied to capital financing	(33.049)	(17.020)	-	(50.069)	50.069
(Gains)/losses on the disposal of non current assets	0.015	(0.014)	-	0.001	(0.001)
Statutory provision for the financing of capital investment	(8.366)	(3.832)	-	(12.198)	12.198
Capital expenditure charged against the General Fund and HRA balances	(1.643)	(12.252)	-	(13.895)	13.895
Adjustments involving the Capital Fund	-	-	(1.411)	(1.411)	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)	-	(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	20.190	0.651	-	20.841	(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	6.111	0.086	-	6.197	(6.197)
Total Adjustments	20.652	(17.659)	(1.411)	1.582	(1.582)

Comparable Movements in 2019/20

Movements in 2019/20	General Fund Balance	Statutory Housing Revenue Account	Capital and Other Reserves	Total Usable Reserves	Unusable Reserves
Reversal of items debited or credited to the CIES	£m	£m	£m	£m	£m
Charges for depreciation of non current assets	31.584	15.024	-	46.608	(46.608)
Amortisation of intangible assets	0.385	-	-	0.385	(0.385)
Impairment of non-current assets	6.019	(1.024)	-	4.995	(4.995)
Capital grants and contributions that have been applied to capital financing	(24.487)	(14.623)	-	(39.110)	39.110
(Gain)/loss on the disposal of non-current assets	(0.113)	(0.026)	-	(0.139)	0.139
Statutory provision for the financing of capital investment	(12.319)	(3.268)	-	(15.587)	15.587
Capital expenditure charged against the General Fund and HRA balances	(0.025)	(15.517)	-	(15.542)	15.542
Adjustments involving the Capital Fund	-	-	(1.991)	(1.991)	1.991
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(0.467)	(0.315)	-	(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	24.667	0.802	-	25.469	(25.469)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.032	(0.006)	-	1.026	(1.026)
Total Adjustments	26.276	(18.953)	(1.991)	5.332	(5.332)

Note 12: Transfers to/(from) Funds

	31 March 2020 £m	Income £m	Expenditure £m	31 March 2021 £m	Purpose of Reserve
General Fund Balance unearmarked	9.659	1.656	-	11.315	The balance represents 2.9% of budgeted expenditure.
Education DMR	0.341	0.014	(0.341)	0.014	Enables schools to carry forward balances to be utilised in future years.
Affordable Housing	3.081	1.093	(1.252)	2.922	Contributes towards the provision of new build social housing.
Loans Fund Reserve	9.389	3.676	(8.800)	4.265	Supports borrowing linked to the Capital Investment Programme.
Investment Fund	-	9.825	(0.250)	9.575	Supports environmental projects, infrastructure investment and Community Wealth Building activity
Renewal Fund	-	6.974	-	6.974	Supports delivery of the Council's Renewal and Recovery Strategy.
Change & Service Redesign Fund	3.144	-	(0.300)	2.844	This sum is earmarked for delivery of the Council's Change Programme.
Earmarked Funds	8.968	30.303	(3.617)	35.654	Various specific projects for which funds have been identified prior to 31 March 2021, but spending plans exist relating to 2021/22 or beyond.
General Fund Balance	34.582	53.541	(14.560)	73.563	
Housing Revenue Account	10.898	4.116	(0.793)	14.221	The balance on the HRA includes £5.6m earmarked for new house building and £1.5m retained as contingency.
HRA Balance	10.898	4.116	(0.793)	14.221	
Total General Fund and HRA Balances	45.480	57.657	(15.353)	87.784	
Insurance Fund	3.214	0.167	-	3.381	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	4.518	0.012	(1.411)	3.119	Funds earmarked to support the 2021-2031 capital programme.
Other Reserves	7.732	0.179	(1.411)	6.500	
Total Usable Reserves	53.212	57.836	(16.764)	94.284	

Note 13: Property, Plant and Equipment

Movements in 2020/21:

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Infra- structure Assets £m	Comm- unity Assets £m	Surplus Assets £m	Assets under Const- ruction £m	Total £m	PPP/NPD Assets Included in P,P&E £m
Cost or Valuation									
Balance at 1 April 2020	447.254	450.231	40.653	131.628	4.001	5.757	66.040	1,145.564	114.046
Reclassification of Assets	8.440	11.072	1.363	4.607	0.017	0.085	(25.584)	-	-
Additions	9.588	0.834	3.552	5.675	0.170	-	64.417	84.236	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)	-
Balance at 31 March 2021	502.982	454.920	44.049	141.910	4.188	5.782	104.873	1,258.704	114.047
Accumulated Depreciation and Impairment									
Balance at 1 April 2020	-	44.593	33.711	54.283	0.899	-	-	133.486	10.688
Reclassification of Assets	0.009	(0.009)	-	-	-	-	-	-	-
Depreciation Charge	14.919	23.600	3.842	4.694	0.202	0.003	-	47.260	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	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021	-	67.094	36.111	58.977	1.101	-	-	163.283	16.194
Net Book Value									
Balance at 31 March 2021	502.982	387.826	7.938	82.933	3.087	5.782	104.873	1,095.421	97.853
Balance at 31 March 2020	447.254	405.638	6.942	77.345	3.102	5.757	66.040	1,012.078	103.358

Comparative Movements in 2019/20:

The 2019/20 figures have been restated in relation to the adjustments for the Clyde Valley Waste service concession arrangement as detailed in Note 3 on page 52.

	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Equip £m	Infra- structure Assets £m	Comm- unity Assets £m	Surplus Assets £m	Assets under Const- ruction £m	Total £m	PPP/NPD Assets Included in P,P&E £m
Cost or Valuation									
Balance at 1 April 2019	438.356	447.187	40.819	131.584	2.978	6.953	45.594	1,113.471	109.474
Reclassification of Assets	12.615	8.131	0.498	-	0.404	(1.076)	(20.572)	-	-
Additions	24.165	8.399	1.126	0.044	0.619	-	41.018	75.371	4.572
Revaluations recognised in the Revaluation Reserve	(27.882)	(3.918)	-	-	-	0.044	-	(31.756)	-
Impairments recognised in the Net Cost of Services	-	(8.485)	-	-	-	(0.160)	-	(8.645)	-
Derecognition - Disposals	-	(0.788)	(1.790)	-	-	(0.004)	-	(2.582)	-
Assets reclassified (to)/from Held for Sale	-	(0.295)	-	-	-	-	-	(0.295)	-
Balance at 31 March 2020	447.254	450.231	40.653	131.628	4.001	5.757	66.040	1,145.564	114.046
Accumulated Depreciation and Impairment									
Balance at 1 April 2019	14.820	35.606	32.214	49.887	0.706	-	-	133.233	5.323
Reclassification of Assets	-	-	-	-	-	-	-	-	-
Depreciation Charge	14.928	23.869	3.262	4.396	0.193	0.003	-	46.651	5.365
Depreciation written out to the Revaluation Reserve	(28.724)	(12.037)	-	-	-	(0.003)	-	(40.764)	-
Depreciation written out to the Net Cost of Services	(1.024)	(2.696)	-	-	-	-	-	(3.720)	-
Derecognition - Disposals	-	(0.136)	(1.765)	-	-	-	-	(1.901)	-
Assets reclassified (to)/from Held for Sale	-	(0.013)	-	-	-	-	-	(0.013)	-
Balance at 31 March 2020	-	44.593	33.711	54.283	0.899	-	-	133.486	10.688
Net Book Value									
Balance at 31 March 2020	447.254	405.638	6.942	77.345	3.102	5.757	66.040	1,012.078	103.358
Balance at 31 March 2019	423.536	411.581	8.605	81.697	2.272	6.953	45.594	980.238	104.151

Note 14: 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 2021 are as follows:

North Ayrshire Council	Fair Value as at 31 March 2021 £m	Fair Value as at 31 March 2020 £m
Land	5.705	5.680
Offices	0.077	0.077
Total	5.782	5.757

Fair values for the Investment Properties held by the Common Good and Trust Funds as at 31 March 2021 are as follows:

Common Good / Trusts	Fair Value as at 31 March 2021 £m	Fair Value as at 31 March 2020 £m
Land	1.150	1.168
Offices	0.712	0.770
Community use	0.273	0.279
Total	2.135	2.217

Note 15: Assets Held for Sale

	2020/21 £m	2019/20 £m
Balance at 1 April	0.740	0.548
Assets newly classified as held for sale:		
Property, Plant and Equipment	0.152	0.282
Revaluations	0.132	(0.047)
Assets disposed of during the year	(0.022)	(0.043)
Balance at 31 March	1.002	0.740

Note 16: Heritage Assets

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

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

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

Such assets can be grouped as follows:

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

The valuation of the assets has been undertaken by a combination of external and internal valuers including the valuation of Fine Art by Shapes Auctioneers and Valuers, 2009, and items of Fine Art, Silverware and Historic Artefacts valued by Bonhams, 2016. A valuation of the assets was partly carried out in 20/21 but could not be concluded without the presence of on-site specialists. This will be planned during 21/22 whenever it is practical to do so.

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

Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
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

Valuation	Civic Regalia and Silverware £m	Fine Art £m	Historical Artefacts £m	Public Artworks £m	Total £m
Balance at 1 April 2019	0.591	0.139	0.420	0.177	1.327
Movement in Year:	-	-	-	-	-
Balance at 31 March 2020	0.591	0.139	0.420	0.177	1.327

Note 17: 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	2020/21 £m	2019/20 £m
Balance at start of year:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.090)	(3.705)
Net carrying amount at start of year	0.537	0.922
Amortisation for the period	(0.272)	(0.385)
Net carrying amount at end of year	0.265	0.537
Comprising:		
Gross carrying amounts	4.627	4.627
Accumulated amortisation	(4.362)	(4.090)
	0.265	0.537

Note 18: 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 19).

	2020/21		2019/20	
	General Fund £m	HRA £m	General Fund £m	HRA £m
Opening Capital Financing Requirement	184.896	124.554	187.368	120.312
Capital investment				
Property, Plant and Equipment	39.948	-	33.039	-
Intangible Assets	-	-	-	-
Council Dwellings	-	44.287	-	37.759
	39.948	44.287	33.039	37.759
Sources of finance				
Sale of other Assets	0.255	0.013	0.754	0.109
Grants and other contributions	33.049	17.020	24.487	14.623
Contribution from Reserves	1.411	-	1.991	-
Direct revenue contributions	1.643	12.252	-	15.517
Loans Fund Principal	4.662	3.832	8.279	3.268
	41.020	33.117	35.511	33.517
Closing Capital Financing Requirement	183.824	135.724	184.896	124.554

Depreciation

As highlighted in Note 43: Accounting Policies, under Property, Plant and Equipment on pages 95 to 97, depreciation is provided for on a straight-line basis inclusive of the year of acquisition. The period for each applicable category is shown in the following table:

Category	Useful Life (Years)	Valuer	Basis of Valuation	Date of last full valuation
Council Dwellings	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	31/03/2021
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

Commitments under capital contracts

At 31 March 2021, 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 2021 totalled £66.244m as follows (2019/20 : £75.535m):

Capital Commitments	At 31 March 2021
General Services Programme - Major Projects	£m
Flood Protection Scheme	10.342
New Build ASN School and Residential & Respite Unit	4.433
Lochshore	3.944
Marress House - Refurbishment (Early Years / Housing)	2.268
Town Centre Regeneration	1.405
IT Projects	1.391
Other General Services Capital Commitments	3.199
Total General Services Contractual Commitment	26.982

HRA Programme	£m
New Build Sheltered Housing, Harbourside, Irvine	11.883
Lot D St Michaels Wynd	7.680
Lot A St Colms, Largs	3.961
Dalrymple Place, Irvine	2.693
Lot B Towerlands, Irvine	2.464
Lot A Flatt Road, Largs	2.386
Lot B Brathwic, Isle of Arran	2.057
Replacement Central Heating	1.752
Lot B Springvale, Saltcoats	1.363
Other HRA Capital Commitments	3.023
Total HRA Contractual Commitment	39.262

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

North Ayrshire Council Schools PPP Contract

2020/21 was the fourteenth 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

2020/21 was the third 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

2020/21 was the second year of a 25 year contract in relation to the Clyde Valley Waste Recycling Plant. 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 13.

Payments

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

Remaining payments to be made under the PPP, DBFM and Clyde Valley Waste contracts at 31 March 2021 (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 2021/22	9.118	3.831	5.975	1.434	20.358
Payable within two to five years	40.018	16.364	21.772	6.807	84.961
Payable within six to ten years	55.521	25.382	21.580	12.379	114.862
Payable within eleven to fifteen years	61.765	32.465	13.563	17.937	125.730
Payable within sixteen to twenty years	41.666	23.839	3.908	13.784	83.197
Payable within twenty one to twenty five years	21.508	5.932	0.431	2.168	30.039
Total	229.596	107.813	67.229	54.509	459.147

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:

	2020/21 £m	2019/20 (Restated) £m
Balance outstanding at 1 April	111.517	111.053
Payments during the year	(3.704)	(4.041)
Additions	-	4.505
Balance outstanding at 31 March	107.813	111.517

Note 20: Long Term Debtors

	2020/21 £m	2019/20 £m
North Ayrshire Ventures Trust	0.292	0.502
Advances for House Purchases	0.147	0.147
Total	0.439	0.649

Note 21: Financial Instruments

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

	Category:	Long Term		Current		Total	
		31/03/21 £m	31/03/20 (Restated) £m	31/03/21 £m	31/03/20 (Restated) £m	31/03/21 £m	31/03/20 (Restated) £m
Loans and receivables:							
Cash (including bank)	Amortised Cost	-	-	32.258	9.657	32.258	9.657
Bank overdraft	Amortised Cost	-	-	(2.346)	(3.880)	(2.346)	(3.880)
Cash and cash equivalents		-	-	29.912	5.777	29.912	5.777
Short Term Investments	Amortised Cost	-	-	10.025	30.031	10.025	30.031
Investments	Group Entity	-	0.350	-	-	-	0.350
Debtors	Amortised Cost	0.439	0.649	53.491	42.913	53.930	43.562
Total Financial Assets		0.439	0.999	93.428	78.721	93.867	79.720
Loans at amortised cost:							
Principal sums	Amortised Cost	207.578	197.556	51.688	89.565	259.266	287.121
Accrued interest	Amortised Cost	-	-	0.973	1.154	0.973	1.154
Effective Interest Rate adjustment	Amortised Cost	0.839	0.836	-	-	0.839	0.836
Total borrowing		208.417	198.392	52.661	90.719	261.078	289.111
Trade payables	Amortised Cost	-	-	79.743	61.937	79.743	61.937
PFI and similar liabilities	Amortised Cost	-	-	3.831	3.704	3.831	3.704
Short-term creditors		-	-	83.574	65.641	83.574	65.641
PFI and similar liabilities	Amortised Cost	103.983	107.814	-	-	103.983	107.814
Total Financial Liabilities		312.400	306.206	136.235	156.360	448.635	462.566

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 38.

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".

	2020/21 £m	2019/20 £m
Value at 1 April	0.725	0.909
Amounts repaid to the Council	(0.228)	(0.219)
Fair value adjustments	0.023	0.035
Value at 31 March	0.520	0.725

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;
- Public Private Partnership (PPP), Non Profit Distributing (NPD) and similar contracts.

Fair Values of Assets and Liabilities

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

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

The calculated fair values are as follows:

	At 31 March 2021		At 31 March 2020 (Restated)	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
PWLB Debt	184.368	304.454	202.365	320.677
Non-PWLB Debt	161.764	255.895	165.567	258.347
Temporary Loans	22.722	22.722	32.696	32.696
Total Debt	368.854	583.071	400.628	611.720
Trade Creditors	79.743	79.743	61.937	61.937
Total Liabilities	448.597	662.814	462.565	673.657

	At 31 March 2021		At 31 March 2020	
	Carrying Amount £m	Fair Value £m	Carrying Amount £m	Fair Value £m
Cash and Cash Equivalents	29.912	29.912	5.777	5.777
Short Term Deposits < 1 year	10.025	10.025	30.031	30.031
Trade Debtors	53.930	54.068	43.562	43.677
Total Assets	93.867	94.005	79.370	79.485

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:

	2020/21			2019/20		
	Liabilities measured at amortised cost £m	Loans and receivables measured at amortised cost £m	Total £m	Liabilities measured at amortised cost £m	Loans and receivables measured at amortised cost £m	Total £m
Interest expense	(20.067)	-	(20.067)	(20.449)	-	(20.449)
Losses on derecognition	0.782	-	0.782	0.782	-	0.782
Total expense in Surplus or Deficit on the Provision of Services	(19.285)	-	(19.285)	(19.667)	-	(19.667)
Interest income	-	0.086	0.086	-	0.231	0.231
Total income in Surplus or Deficit on the Provision of Services	-	0.086	0.086	-	0.231	0.231
Net gain/(loss) for the year	(19.285)	0.086	(19.199)	(19.667)	0.231	(19.436)

Note 22: 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 under [Council>Performance and Spending>Budgets and Finance](#)

The key risks are:

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

Credit Risk: Investments

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

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

The Treasury Management and Investment Strategy for 2020/21 was approved by North Ayrshire Council on 5 March 2020.

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 2021 that this was likely to crystallise.

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

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

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

	2020/21			2019/20		
	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	5.445	7.770	1.536	5.064	6.600
Changes due to modifications which did not result in derecognition	-	1.072	1.072	0.789	0.381	1.170
As at 31 March	2.325	6.517	8.842	2.325	5.445	7.770

During the year the Council wrote off financial assets with a contractual amount outstanding of £0.291m (£0.060m 2019/20) which are still subject to enforcement activity.

Credit Risk Exposure

The Council has the following exposure to credit risk at 31 March 2021:

	Credit Risk Rating	Gross Carrying Amount at 31 March 2021 £m	Gross Carrying Amount at 31 March 2020 £m
Lifetime expected credit losses	Internal Assessment	3.807	5.293
Simplified approach	Historic Experience	53.526	39.740
		57.333	45.033

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 5 March 2020):

	At 31 March 2021	At 31 March 2021	Approved Upper Limit	Approved Lower Limit	At 31 March 2020 (Restated)
Loans Outstanding	£m	%	%	%	£m
Less than one year	55.520	15%	50%	0%	93.270
Between one and two years	6.805	2%	50%	0%	6.810
Between two and five years	21.450	6%	50%	0%	20.917
Between five and ten years	51.003	14%	75%	0%	44.885
More than ten years	232.302	63%	90%	25%	232.757
Total	367.080				398.639
Public Works Loan Board	183.943				201.830
Market Debt / LOBOs	52.564				52.663
Temporary borrowing	22.759				32.628
PPP/NPD Liabilities	107.814				111.518
Total	367.080				398.639

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

Market risk

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

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

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

The Council's Treasury Management and Investment Strategy aims to mitigate these risks by setting upper limits on its exposure to fixed and variable interest rates. For 2020/21 these limits were £460.6m of total borrowing on fixed rate borrowing and £60.0m for variable rate borrowing.

At 31 March 2021, £200.6m 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 2021 £m
Impact on tax-payers & rent-payers	
Increase on interest payable on variable rate borrowings	25.950
Increase in interest receivable on variable rate investments	
Impact on Surplus or Deficit on the Provision of Services	25.950
Share of overall impact debited to the HRA	10.794
Decrease in fair value of fixed rate investment assets	(0.003)
Impact on Other Comprehensive Income and Expenditure	(0.003)
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)	(68.971)

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 2021, the Council held no foreign currency funds.

Note 23: Inventories

	2020/21				2019/20
	Balance at 1 April £m	Purchases £m	Recognised as an expense £m	Balance at 31 March £m	Balance at 31 March £m
Consumables					
Catering	0.122	2.584	(2.577)	0.129	0.122
Streetscene & Waste	0.101	0.074	(0.116)	0.059	0.101
Transport Fuel	0.096	1.396	(1.373)	0.119	0.096
Other	0.001	-	-	0.001	0.001
Maintenance Materials					
Building Services	0.599	2.255	(2.375)	0.479	0.599
Roads	0.221	0.331	(0.392)	0.160	0.221
Total	1.140	6.640	(6.833)	0.947	1.140

Note 24: Short Term Debtors

	2020/21 £m	2019/20 £m
Trade Receivables	15.637	12.148
Prepayments	1.986	2.763
Other Receivable Amounts	35.868	28.002
Total	53.491	42.913

Note 25: Debtors for Local Taxation

	2020/21		2019/20	
	Council Tax £m	NDR £m	Council Tax £m	NDR £m
Less than 1 year	2.566	-	2.606	0.043
1 to 2 years	1.009	-	1.392	0.020
2 to 5 years	1.421	-	1.486	-
More than 5 years	0.170	-	0.104	-
Total	5.166	-	5.588	0.063

Note 26: Short Term Borrowing

	2020/21 £m	2019/20 £m
North Ayrshire Municipal Bank Ltd	(0.038)	(0.038)
PWLB	(3.313)	(18.423)
Market Debt / LOBOs / Other Local Authorities	(49.310)	(72.258)
Total	(52.661)	(90.719)

Note 27: Short Term Creditors

	2020/21 £m	2019/20 (Restated) £m
Trade Payables	(32.224)	(23.903)
Other Payables	(51.350)	(41.738)
Total	(83.574)	(65.641)

Note 28: Provisions

	Equal Pay / Single Status £m	Termination Benefits £m	Landfill Site Restoration £m	Employee Costs - Paid Absences £m	Teachers Maternity £m	Former Authorities £m	Develop- ment Costs £m	Total £m
Balance at 1 April 2020	(0.147)	(0.545)	(0.695)	(0.172)	(0.122)	(0.133)	(0.885)	(2.699)
Additional provisions made in 2020/21	-	(0.262)	(0.019)	0.047	(0.011)	-	-	(0.245)
Amounts written off in 2020/21	-	-	0.181	-	-	-	0.885	1.066
Amounts used in 2020/21	0.011	0.545	-	-	-	-	-	0.556
Balance at 31 March 2021	(0.136)	(0.262)	(0.533)	(0.125)	(0.133)	(0.133)	-	(1.322)

Equal Pay/Single Status

In 2014/15 a provision of £2.867m was made in respect of Equal Pay and Single Status. During 2020/21 £0.011m of the provision was utilised. As at 31 March 2021 the level of provision required is £0.136m. The timing of the settlement of these claims is uncertain.

Termination Benefits

In 2020/21 a provision of £0.262m was required in relation to employee retiral commitments the Council had in place at 31 March 2021. These liabilities are expected to be discharged during 2021/22.

Landfill Site Restoration

This provision relates to the Council's landfill site at Shewalton in Irvine. During 2020/21 £0.181m was released for aftercare costs. The increase in the provision for the unwinding of the discount was also recognised as an interest charge of £0.019m. 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 £0.125m for the costs of paid employee absences arising from Flexi Time earned but not taken prior to 31 March 2021. These liabilities are expected to be discharged during 2021/22.

Teachers Maternity

The Council holds a provision of £0.133m in respect of teacher's holidays accrued while on maternity leave, which is an increase of £0.011m from the opening balance of £0.122m. These liabilities are expected to be discharged during 2021/22.

Former Authorities: Potential Claims

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

Development Costs

This provision relates to estimated abnormal development costs in relation to Council House development sites. The provision relating to Harbourside, Irvine development has been released and offset against the costs which have been incurred in 2020/21.

Note 29: 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 2020/21, the Council recognised £14.130m in respect of teachers' retirement benefits, representing 22.21% of pensionable pay. The figures for 2019/20 were £12.207m and 20.17%. There were no contributions remaining payable at the year-end. The estimated contribution for 2021/22 is £13.079m. As a proportion of the total contributions into the Scheme during the year to 31 March 2021, North Ayrshire Council's contribution equates to approximately 2.53%.

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 30. There were additional costs of £0.060m included for 2020/21.

Note 30: 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	2020/21 £m	2019/20 £m
Cost of Services:		
Current service cost	42.426	49.921
Past service cost (including curtailments)	0.161	(5.859)
Financing and Investment Income and Expenditure:		
Net interest expense	3.171	5.067
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	45.758	49.129
Other Post Employment Benefit Charged to the CIES:		
Expected return on pension fund assets (excluding amounts included in net interest)	(189.344)	64.908
Actuarial (gains) / losses arising on changes in financial assumptions	226.964	(167.203)
Total Post Employment Benefit Charged to the CIES	83.378	(53.166)
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	(58.461)	76.826
Contributions from employer payable to scheme	24.917	23.660

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:

	2020/21 £m	2019/20 £m
Present value of the defined benefit obligation	(1,331.515)	(1,059.492)
Fair value of plan assets	1,150.938	937.376
Net liability arising from defined benefit obligation	(180.577)	(122.116)

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:

	2020/21 £m	2019/20 £m
Balance as at 1 April	(1,059.492)	(1,172.940)
Current service cost	(42.426)	(49.921)
Interest cost	(24.761)	(28.443)
Contributions by scheme participants	(7.109)	(6.745)
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising on changes in financial assumptions	(277.438)	121.927
Changes in demographic assumptions	25.706	39.402
Other experience	24.768	5.874
Past service cost (including curtailments)	(0.161)	5.859
Benefits paid	29.398	25.495
Balance as at 31 March	(1,331.515)	(1,059.492)

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:

	2020/21 £m	2019/20 £m
Balance as at 1 April	937.376	973.998
Interest income	21.590	23.376
Re-measurement gains and (losses):		
Return on plan assets excluding amounts included in net interest	213.769	(64.908)
Other experience	(24.425)	-
Contributions from employer payable to the scheme	24.917	23.660
Contributions by scheme participants	7.109	6.745
Benefits paid	(29.398)	(25.495)
Balance as at 31 March	1,150.938	937.376

Analysis of Pension Fund's Assets

North Ayrshire Council's share of the Pension Fund assets as at 31 March 2021 comprised:

Portfolio Composition	2020/21				2019/20			
	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	279.642	552.658	832.300	72%	523.921	92.378	616.299	66%
Debt Instruments	-	205.858	205.858	18%	29.412	112.013	141.425	15%
Property	-	93.251	93.251	8%	-	84.871	84.871	9%
Derivatives	0.207	-	0.207	0%	0.019	-	0.019	0%
Cash	18.542	0.780	19.322	2%	48.256	46.506	94.762	10%
Balance as at 31 March	298.391	852.547	1,150.938	100%	601.608	335.768	937.376	100%

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 2021/22.

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 2022 at £22.619m, compared to estimated contributions for 2020/21 of £21.456m.

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 2021 based on a range of assumptions.

The significant assumptions used by the actuary were:

Local Government Pension Scheme Assumptions	At 31 March 2021	At 31 March 2020
Long term expected rate of return on assets in the scheme:		
Equity investments	2.0%	2.3%
Bonds	2.0%	2.3%
Other	2.0%	2.3%
Cash	2.0%	2.3%
Mortality assumptions (years):		
Longevity at 65 for current pensioners:		
Men	19.8	20.7
Women	22.6	22.9
Longevity at 65 for future pensioners:		
Men	21.2	22.2
Women	24.7	24.6
Rate of inflation	2.9%	1.9%
Rate of increase in salaries	3.6%	3.0%
Rate of increase in pensions	2.9%	1.9%
Rate for discounting scheme liabilities	2.0%	2.3%
Take up of option to convert annual pension into retirement lump sum		
- for pre April 2009 service	50%	50%
- for post April 2009 service	75%	75%

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

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

Impact on the Defined Benefit Obligation in the Scheme	Increase in Employer Liability	
	£m	%
0.5% decrease in Real Discount Rate	136.279	10.0%
0.5% increase in the Salary Increase Rate	19.148	1.0%
0.5% increase in the Pension Increase Rate	113.786	9.0%

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 2020/21 been updated to include the potential impact of this ruling.

Note 31: Unusable Reserves

	2020/21 £m	2019/20 (Restated) £m
Revaluation Reserve	161.834	118.216
Capital Adjustment Account	508.478	475.158
Financial Instruments Adjustment Account	(6.769)	(7.551)
Pensions Reserve	(180.577)	(122.116)
Accumulated Absences Account	(14.955)	(8.758)
Total Unusable Reserves	468.011	454.949

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.

	2020/21 £m	2019/20 £m
Balance at 1 April	118.216	117.993
Surplus or (deficit) on revaluation of non-current assets posted to the CIES	52.264	9.031
Difference between fair value depreciation and historical cost depreciation	(8.570)	(8.484)
Amount written off to the Capital Adjustment Account	(0.076)	(0.324)
Balance at 31 March	161.834	118.216

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.

	2020/21 £m	2019/20 (Restated) £m
Balance at 1 April	475.158	445.969
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	(52.898)	(51.988)
Gains/(losses) on the disposal of non current assets	(0.001)	0.139
Adjusting amounts written out of the Revaluation Reserve	8.646	8.808
Capital financing applied in the year:		
Adjustments involving the Capital Fund	1.411	1.991
Capital grants and contributions credited to the CIES that have been applied to capital financing	50.069	39.110
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12.198	15.587
Capital expenditure charged against the General Fund and HRA balances	13.895	15.542
Balance at 31 March	508.478	475.158

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.

	2020/21 £m	2019/20 £m
Balance at 1 April	(7.551)	(8.333)
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
Balance at 31 March	(6.769)	(7.551)

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.

	2020/21 £m	2019/20 £m
Balance at 1 April	(122.116)	(198.942)
Actuarial gains/(losses) on pensions assets and liabilities	(37.620)	102.295
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(20.841)	(25.469)
Balance at 31 March	(180.577)	(122.116)

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.

	2020/21 £m	2019/20 £m
Balance at 1 April	(8.758)	(7.732)
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	(6.197)	(1.026)
Balance at 31 March	(14.955)	(8.758)

Note 32: Related Parties

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

Central Government

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

Members

Elected Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in the Remuneration Report. During 2020/21 payment to voluntary organisations/charities to the value of £0.042m were made in which 2 members had an interest. Details of all member interests are recorded in the Register of Members' Interest, available on the Council's website.

Officers

The Chief Executive of North Ayrshire Council and the Executive 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 39 on page 85.

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 2020/21 the following North Ayrshire Council financial transactions were made with North Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2020/21 £m	2019/20 £m
Contribution made to North Ayrshire IJB	99.897	97.973
Commissioning income received from North Ayrshire IJB	128.513	122.113
North Ayrshire IJB balance due (to)/from the Council	(3.712)	0.154

The balance due (to)/from the Council reflects the year end variance on health and social care activities before the earmarking of reserves, less the balance of the outstanding IJB debtor. For 2020/21 income exceeded expenditure by £1.486m which has been deducted from the outstanding IJB deficit, which now stands at £3.807m.

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 2020/21 as follows:

- Ayrshire & Arran Health Board (Health Resource Transfer) – grants and income of £23.979m

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 39.

Note 33: Contingent Liabilities

At 31 March 2021, 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 £0.584m in the Insurance Fund to accommodate known claims and actual and estimated settlement costs in this respect. However, there is the possibility that further claims may emerge resulting in a future liability.
2. The Council has provided a letter of financial guarantee in relation to the Scottish Maritime Museum Trust future pension fund liability for £0.287m (with the potential for this to rise to £0.510m). The guarantee avoids the Scottish Maritime Museum Trust's pension fund liability becoming due when the two remaining active members of the pension scheme within the Trust leave or retire. While the Trust continues to trade it will make annual payments to the Pension Fund to reduce this debt over a number of years. There is no direct additional cost to the Council through this guarantee, although the Council is exposed to a potential risk that could increase its overall pension liability by any pension deficit sum not cleared by the Trust.
3. The Limitation (Childhood Abuse) (Scotland) Act 2017 received royal assent on 28 July 2017. The principal effect of the legislation is to remove the three year time bar on survivors of abuse bringing forward claims for compensation. This would apply for all claims from 1964 onwards and there is a potential cost to the Council in respect of claims which may arise under the legislation.
4. Following significant progress in the settlement of Equal Pay claims, the Council has been notified of a number of new claims in relation to the validity and implementation of the Job Evaluation Scheme within North Ayrshire Council. Although there is a potential for significant costs associated with the settlement of such claims, it is not currently possible to determine either the probability of any liability being upheld by an Employment Tribunal or the potential costs of a successful claim.
5. Within these financial statements, North Ayrshire Council has recognised a debtor owed by the Scottish Government of £3.1m in respect of income for European Structural Fund (ESF) projects. On 24 May 2019 the Council was notified that all current payments under the ESF programme in Scotland had been suspended by the European Commission due to audit concerns. No further information on the compliance or audit issues has been made available. However, it is estimated that North Ayrshire Council's risk exposure in relation to these claims is low.
6. The second phase of EU funded programmes runs from 2019 to 2022 and the Council has already committed resources to support these programmes. The potential curtailment of funding would put these programmes at risk.
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 into fixed price contracts prior to 2020/21. 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 34: Events after the Balance Sheet Date

The unaudited accounts were authorised for issuing on 23 June 2021 by the Head of Finance. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 14 May 2021 Councillor Joy Brahim, representing the Dalry & West Kilbride ward, resigned from the Council. A local by election will be held on 12 August 2021.

Note 35: Cash Flow – Operating Activities

Net cash flow from Operating Activities	2020/21 £m	2019/20 £m
Net cash inflow from revenue activities	(90.320)	(44.896)
Interest received	(0.086)	(0.231)
Interest paid	19.199	19.436
Total	(71.207)	(25.691)

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

Non-cash Movements	2020/21 £m	2019/20 £m
Depreciation and Impairment	(52.626)	(51.603)
Amortisation	(0.272)	(0.385)
Movement in Pension Liability	(4.836)	(25.469)
(Decrease) / Increase in Inventories	(19.598)	0.276
(Decrease) / Increase in Debtors	15.204	2.640
Decrease / (Increase) in Bad Debt Provision	(0.193)	(1.843)
Decrease / (Increase) in Creditors	(0.269)	5.403
Carrying amount of non current assets sold	(20.841)	(0.724)
Other non cash items charged to the net surplus or deficit on the provision of services	1.377	0.369
Total	(82.054)	(71.336)

Investing and Financing activities	2020/21 £m	2019/20 £m
Proceeds from sale of non current assets	0.268	0.863
Capital Grants	50.069	39.110
Total	50.337	39.973

Note 36: Cash Flow – Investing Activities

Net cash flow from Investing Activities	2020/21 £m	2019/20 £m
Purchase of property, plant and equipment, investment property and intangible assets	84.236	75.328
Purchase of Short Term and Long Term Investments	(20.356)	25.003
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.268)	(0.863)
Other receipts from investing activities	(50.069)	(39.110)
Total	13.543	60.358

Note 37: Cash Flow – Financing Activities

Net cash flow from Financing Activities	2020/21 £m	2019/20 £m
Cash receipts of short term and long term borrowing	(20.000)	(92.005)
Cash payments for the reduction of the outstanding liabilities relating to PPP/NPD contracts	5.496	2.553
Repayments of short and long term borrowing	48.033	63.585
Total	33.529	(25.867)

Note 38: Cash Flow – Cash and Cash Equivalents

Cash and cash equivalents	2020/21 £m	2019/20 £m
Cash held by officers	0.007	0.007
Bank current accounts	(2.346)	(3.880)
Short-term deposits	32.251	9.650
Total	29.912	5.777

Note 39: Notes to the Group Accounts

The Code of Practice on Local Council Accounting in the United Kingdom 2019/20 (The Code) requires local authorities to consider their interests in all types of entity. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as transport authorities and Valuation Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The financial statements in the Group Accounts of North Ayrshire Council are prepared in accordance with the accounting policies set out in Note 43, 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	2020/21 £m	Common Good £m	Trust Funds £m	NAVT £m	2019/20 £m
Cost or Valuation								
Balance at 1st April	2.072	0.145	1.853	4.070	2.235	0.150	2.596	4.981
Revaluations increases / decreases recognised in the Revaluation Reserve	(0.027)	-	0.054	0.027	(0.163)	(0.005)	(0.723)	(0.891)
Impairments recognised in the Net Cost of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	-	-	(0.070)	(0.070)	-	-	(0.020)	(0.020)
Balance at 31 March	2.045	0.145	1.837	4.027	2.072	0.145	1.853	4.070

Depreciation

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

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

Inventories

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

Consideration for Acquisition of Associates' Net Assets or Liabilities

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

Basis of Consolidation

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

All entities have the same reporting date as the Council.

Restrictions on transfer of funds

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

Combining Entities

Subsidiaries

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

The Group Comprehensive Income and Expenditure Statement on page 39 includes net comprehensive income for the year of £0.031m.

The Group Balance Sheet on page 40 includes net assets of £12.566m 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, Cunninghame 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, Cunninghame House, Irvine, KA12 8EE
North Ayrshire Ventures Trust	To award community grants across North Ayrshire	North Ayrshire Council, Cunninghame House, Irvine, KA12 8EE

	% Share	2020/21				2019/20			
		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%	4.127	-	(0.121)	(0.011)	4.141	-	(0.157)	0.022
Trust Funds	100%	0.517	-	(0.013)	(0.008)	0.509	-	(0.018)	0.008
North Ayrshire Ventures Trust	100%	8.387	(0.465)	(0.413)	-	8.580	(0.695)	(0.506)	0.582

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.

During 2020/21 North Ayrshire Council approved the provision of additional cashflow management support to North Ayrshire Leisure Ltd to ensure that they could continue to operate as a going concern and meet their cash liabilities during the period of Covid-related operating restrictions. This resulted in additional support of £1.249m being provided during the year.

The Group Comprehensive Income and Expenditure Statement on page 39 includes net comprehensive income for the year of £0.254m.

The Group Balance Sheet on page 40 includes net assets of £26.570m in relation to these bodies.

Further details for each entity are as follows:

Associate	Nature of Body	Accounts available from
North Ayrshire Leisure Ltd	Provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in North Ayrshire. North Ayrshire Council have an agreement in place whereby they will pay for any redundancy or early retirement costs incurred by NALL. 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,
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	2020/21				2019/20			
		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	55.1%	0.978	(2.565)	(3.954)	0.317	0.558	(0.884)	(2.965)	0.460
Strathclyde Partnership for Transport	6.1%	28.186	(1.360)	(3.535)	(0.527)	27.477	(1.474)	(7.264)	(3.838)
Strathclyde Concessionary Travel Scheme Joint Board	7.1%	0.258	(0.014)	(0.286)	(0.193)	0.130	(0.079)	(0.287)	0.038
Ayrshire Valuation Joint Board	36.3%	1.156	(0.069)	(1.086)	(0.066)	0.638	(0.050)	(0.884)	0.108

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. Ardrossan North Shore LLP, which was previously reported as a joint venture, was fully bought out by North Ayrshire Council and a petition was made to wind the company up before 31st March 2021. Prior year comparators for 2019/20 are included in the group statements. The joint ventures have 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 39 includes net comprehensive income for the year of £4.870m. In addition, the Group Comprehensive Income and Expenditure Statement includes 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 40 includes net assets of £3.256m in relation to these bodies.

Further details for each entity are as follows:

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

	% Share	2020/21				2019/20			
		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%	5.160	(1.904)	(154.458)	(5.056)	0.104	(2.647)	(142.615)	0.112
Ardrossan North Shore LLP	50%	-	-	-	-	0.939	(0.010)	(0.001)	0.001

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	-	26.826	0.244	1.087	3.256	31.413
Liability in Associates and Joint Ventures	(1.587)	-	-	-	-	(1.587)

Non-material interests in other entities

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

Note 40: 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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are outlined in the table that follows.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Pension Fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the pension increase rate assumption would result in an increase in the pension liability of £113.786m. However, the assumptions interact in complex ways.
Collection Levels of Arrears	At 31 March 2021, the Council had a balance of trade debtors of £22.059m. A review of significant balances suggested that an allowance for potential impairment losses of 29% (£6.422m) 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 £0.642m 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 £2.946m if useful lives were reduced by one year.

Note 41: 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 2021/22 Code due to be adopted in future years and the possible impact.

For the 2020/21 accounts, the accounting policy changes that require to be reported are covered by the following accounting standards:

Definition of a Business: Amendments to IFRS 3 Business Combinations – The amendments improve the definition of a business and are intended to help determine whether an acquisition is of a business or a group of assets.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 – This makes amendments to three current standards with an aim to provide relief for hedging relationships.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – The amendment address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one.

In all cases detailed above, implementation is required from 1 April 2021 or beyond, meaning that there is no impact on the 2020/21 financial statements.

Note 42: Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 43, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the financial statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has up to a maximum of 4 trustees out of 9 in total for North Ayrshire Leisure Limited, a charitable organisation that operates the leisure facilities owned by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Council. The Trust is, however, incorporated as an Associate within the Group Accounts presented on pages 39-42.
- 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 33.
- The impact of the UK's withdrawal from the EU provides a degree of uncertainty around future funding levels and the economic development of North Ayrshire. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication of the likely impact on the provision of services or the valuation of the Council's assets.

Note 43: Accounting Policies

General Principles

The Accounts summarise the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

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

A Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Suppliers' invoices paid in the two weeks following the year-end have been included together with specific accruals in respect of further material items, provided the goods and services were received prior to 31 March.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The de minimis level for recognition of such transactions has been agreed at £5,000, therefore all known transactions of £5,000 or above have been included.
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

B Allocation of Central Support Costs and Recharges to Capital

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

C Cash and Cash Equivalents

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

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

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

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

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

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

E Charges to Revenue for Non-Current Assets

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

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

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairments losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances. This is known as the Loans Fund Principal 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 Education and Youth Employment services line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government Pension Scheme

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

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

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

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

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

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

Service Costs:

- Current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the CIES to the services for which the employees worked.
- Past service cost (including curtailments) – the increase in liabilities as a result changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by employees in previous years. These costs are

charged to the Surplus or Deficit on the Provision of Services in the CIES.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the CIES, calculated by applying the discount rate used to measurement the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements:

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

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

Discretionary Benefits

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

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 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.

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.

Actuarial Gains or Losses

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

Amortisation

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

Assets

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

Capital Expenditure

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

Community Assets

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

Contingent Assets / Liabilities

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

Creditors

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

Debt Instruments

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

Debtors

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

Defined Benefit Pension Scheme

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

Depreciation

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

Equity Investments

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

Fair Value

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

Financial Instrument

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

General Fund

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

Group Accounts

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

Housing Revenue Account (HRA)

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

Infrastructure Assets

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

Inventories

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

Liabilities

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

Pension Scheme Liabilities

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

Provisions

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

Reserves

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

Revaluation / Impairment

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

Revenue Expenditure

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

NORTH AYRSHIRE COUNCIL

23 June 2021

North Ayrshire Council

Title: Treasury Management and Investment Annual Report 2020/2021

Purpose: To report to Council on the Treasury Management and Investment Annual Report and Prudential Indicators for 2020/21

Recommendation: That Council notes (a) the Treasury Management and Investment Annual Report for 2020/21 (Appendix 1); and (b) the Prudential and Treasury Indicators contained therein

1. Executive Summary

- 1.1 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual review of treasury management activities. The purpose of the annual review is to report the performance of the Council's treasury operations and how this measures up against the Council's Treasury Management and Investment Strategy 2020/21. This is done through the publication of the annual report which contains the actual prudential and treasury indicators for 2020/1.
- 1.2 This Treasury Management and Investment Annual Report meets the requirements of the Scottish Government's investment regulations, the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.3 The Treasury Management and Investment Annual Report 2020/21 for North Ayrshire Council is attached at Appendix 1. Key points to note from the report are as follows:
 - During 2020/21, the Council complied with its legislative and regulatory requirements in relation to treasury activities;
 - Capital expenditure was below the level anticipated at the start of the year due to changes in the profile of projects, linked Covid-19 restrictions;
 - Gross borrowing was lower than anticipated as a result of additional Covid-19 funding allocations which delayed the councils need to borrow;
 - The average loans fund pool rate reduced slightly from 3.97% to 3.84%; and
 - During the year, a further review of the general fund loans fund advances was undertaken. The changes identified result in reductions in payments over the period of the current General Services Capital programme of £3.797m. Over the full period of advance repayments the changes will result in an estimated overall increase in interest costs of £1.217m for the General Fund based on the current Capital Programmes as approved by Council.

2. Background

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management requires elected members to be provided with regular reports on treasury management activities. The 2020/21 Annual Treasury Management and Investment Strategy was approved by Council on 5th March 2020 and the mid-year report was submitted to the Cabinet on 10 November 2020. This final outturn report ensures full compliance with the CIPFA Code of Practice.

2.2 Current Position

The 2020/21 annual report is attached at Appendix 1 and covers:

- Prudential and treasury indicators;
- Investment rate and outturn; and
- Performance measures.

2.3 Statutory Requirements

During 2020/21 the Council complied with its legislative and regulatory requirements. It is a statutory duty for the Council to determine and keep under review its approved borrowing limits and prudential indicators. Details within the report demonstrate that the Council has operated within the treasury limits and prudential indicators as set out in the Council's 2020/21 Annual Treasury Management and Investment Strategy Statement (TMSS).

2.4 General Services and Housing Revenue Account (HRA)

2.4.1 **Capital Financing Costs** - the General Fund budget of £17.181m for financing costs and expenses on debt for 2020/21 was underspent by £3.820m, comparative information for the HRA was a budget of £9.960m and an underspend of £1.205m. The underspends are a result of a planned contribution to support the 10 year General Fund capital programme; the re-profiling of planned capital expenditure linked to the impact of Covid-19 restrictions; the continuing strategy to delay new external borrowing by utilising cash balances, resulting in savings on external interest costs; and the use of temporary borrowing from other local authorities.

2.4.2 **Interest on Revenue Balances** - the General Fund budget of £0.387m for interest on its revenue balances with a reported under-recovery of £0.356m in 2020/21, comparative information for the HRA was a budget of £0.058m with a reported under recovery of £0.022m. The overall under-recovery reflects lower interest rates being offered by counterparties than previously anticipated due to the short term nature of investments required to align cash flow commitments alongside the actual profile of expenditure during 2020/21.

2.4.3 In accordance with agreed policy, the net General Fund underspend of £3.464m has been transferred to the Loans Fund Reserve to support the funding strategy for the ten year capital investment programme.

3. Proposals

- 3.1 That Council notes (a) the contents of the Treasury Management and Investment Annual Report for 2020/21 (Appendix 1); and (b) the Prudential and Treasury Indicators contained therein.

4. Implications/Socio-economic Duty

Financial

- 4.1 Capital Financing underspends within General Fund of £3.464m have been transferred to the Loans Fund Reserve in line with agreed policy.

Within the HRA, the underspend of £1.183m is part of the overall reported surplus which has been transferred to the HRA balance.

Human Resources

- 4.2 None.

Legal

- 4.3 The Local Government in Scotland Act 2003 and supporting regulations require the Council to produce an annual review of treasury management activities.

Equality/Socio-economic

- 4.4 None.

Environmental and Sustainability

- 4.5 None.

Key Priorities

- 4.6 The Treasury Management and Investment Annual Report aligns with the Council Plan by maximising resources and providing value for money to support financially sustainable delivery models.

Community Wealth Building

- 4.7 None.

5. Consultation

- 5.1 The Council's treasury advisors, Arlingclose Ltd, were consulted in the preparation of this report.

Mark Boyd
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

Treasury Management and Investment Mid-year Report 2020/21 – Cabinet 10 November 2020



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Annual Treasury Management and Investment Report

2020/21



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Annual Treasury Management and Investment Report 2020/21

1. Purpose

The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual review of treasury management activities. The purpose of this annual review is to report the performance of the Council's treasury operation and how this measures up against the Council's Treasury Management and Investment Strategy 2020/21. This is done through the publication of the annual report and actual prudential and treasury indicators for 2020/21.

This report meets the requirements of the Scottish Government's investment regulations, the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2020/21 the minimum requirement was that the following reports should be submitted to Elected Members:

- an annual treasury management and investment strategy (submitted to the Council on 5 March 2020)
- a mid-year treasury update report (submitted to the Cabinet on 10 November 2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

Regulations place responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2. Executive Summary

During 2020/21, the Council complied with its legislative and regulatory requirements.

The **key prudential and treasury indicators** detailing the impact of capital expenditure activities during the year, with comparators, are summarised below. In order to provide consistency within all the tables in this report, all figures exclude the Council's liabilities in respect of PPP/NPD unless otherwise stated.

TABLE 1

Prudential and treasury indicators	2019/20 Actual £m	2020/21* Estimate £m	2020/21 Actual £m
Capital expenditure (Indicator 1)			
General services	33.039	41.514	39.948
HRA	37.759	47.215	44.287
Total	70.798	88.729	84.235
Capital Financing Requirement (CFR):			
General services	184.896	180.234	183.824
HRA	124.554	132.420	135.724
Total	309.450	312.654	319.548
Gross borrowing (Indicator 4)	279.493	282.654	251.507
Operational Boundary (Indicator 5)	330.009	330.068	333.483
Authorised Limit (Indicator 6)	363.010	363.075	366.832
Investments (Indicator 7)	39.657	40.000	39.650

** All figures in this report reflect the latest estimate contained within the 2021/22 Annual Treasury Management and Investment Strategy*

A summary of performance is provided below with more detailed information provided in the body of the report.

Overall **Capital Expenditure** was below the level anticipated due to changes in the profile of projects, reflecting the impact of Covid-19 restrictions .

The **Capital Financing Requirement (CFR)** is the underlying borrowing requirements of the Council. The increase to the requirement during 2020/21 reflects the lower levels of Government Grant funding than previously anticipated.

Gross Borrowing reflects the actual borrowing which has been undertaken, this was lower than anticipated as a result of lower than anticipated Capital Expenditure and the utilisation of additional Covid-19 funding allocations, which has delayed the Council's need to borrow.

The **Operational Boundary** is the maximum we would anticipate borrowing to fund the current capital programme, building in flexibility for the timing of the different funding streams and principal repayments. Due largely to the use of internal funds, the Council's actual borrowing position is well within the Operational Boundary.

The **Authorised Limit** is a statutory limit; it is the maximum amount of borrowing determined by the Council and should not be exceeded. The Council has set the Authorised Limit at 10% above the Operational Boundary to give some flexibility to raise funds for future year capital investment.

As noted above, the Council continues to use its internal funds to delay borrowing to minimise costs but balances this with long term borrowing to support the agreed Capital Investment Programme and to reduce the Council's exposure to interest rate risk. No **new long term borrowing** took place in 2020/21.

The **average loans fund pool rate** is the total interest paid during the year as a percentage of the total loans fund advances. In 2020/21 this marginally decreased from 3.97% to 3.84%.

The **maturity profile** and balance between **fixed and variable rate borrowing** mitigates the Council's exposure to interest rate variations either now or when loans require to be refinanced. A total of £50.950m of the Council's loans are at a variable rate, which is in line with the strategy.

Affordability of borrowing is measured by the percentage of financing costs relative to the net revenue stream of the General Fund and Housing Revenue Account; the percentage values were lower than estimated for both the General Fund and the Housing Revenue Account. Actuals for 2020/21 were 3% for the General Fund and 17.7% for the Housing Revenue Account. Capital expenditure impacts on the revenue budget through financing charges so it is essential the Council ensures the financing costs remain affordable and do not constitute an excessive proportion of the revenue resources available. From a General Fund perspective, the Scottish Local Authority average in 2019/20 was 6.94%, therefore demonstrating a prudent borrowing policy. For the HRA, the Scottish average in 2019/20 was 22.68%. The level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing business plan.

The **average internal investment** rate was 0.25% compared to a target of 0.65%. The rate secured in 2019/20 was 0.80%. The lower return secured in 2020/21 reflects the bank rate being maintained at 0.1% since March 2020.

Other prudential and treasury indicators and supporting information can be found in the main body of this report.

Conclusion

The Head of Finance confirms that long-term borrowing is only undertaken for a capital purpose and that the statutory borrowing limit (the authorised limit) has not been breached.

3. Prudential and Treasury Indicators for 2020/21

The Prudential Code establishes a framework to ensure that councils demonstrate effective control over levels of, and decisions relating to, capital investment activity, including borrowing. Treasury indicators are used to ensure that risk is managed and controlled effectively. Together the Prudential and Treasury Indicators consider the affordability and impact of capital expenditure decisions.

These indicators help the Council to demonstrate public accountability in relation to borrowing and investments. As part of this accountability the report will summarise the following: -

- The Council's Capital Expenditure and Financing (section a);
- The Council's Overall Borrowing Need (section b);
- Limits to Borrowing Activity (section c);
- Treasury Position at 31 March 2021 (section d); and
- Affordability Prudential Indicators (section e);

(a) The Council's Capital Expenditure and Financing 2020/21 (Prudential Indicator 1)

The Council incurs capital expenditure when it invests in its long-term assets. Capital Expenditure can be funded in two main ways:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply other resources, then capital expenditure will give rise to borrowing which needs to be approved as part of the Council's capital investment plans.

The tables below show the actual capital expenditure incurred in 2020/21 compared with the planned investment alongside the amount financed immediately and the amount which gave rise to borrowing.

TABLE 2

General Fund	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Capital expenditure (Indicator 1)	33.039	41.514	39.948
Financed in year	27.232	41.514	36.358
Unfinanced capital expenditure	5.807	-	3.590

HRA	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Capital expenditure (Indicator 1)	37.759	47.215	44.287
Financed in year	30.249	35.516	29.285
Unfinanced capital expenditure	7.510	11.699	15.002

(b) The Council's Overall Borrowing Need (the Capital Financing Requirement) (Prudential Indicators 2 and 3)

This indicator outlines the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not been paid from either a capital or revenue resource and, therefore, needs to be funded from borrowing. It is essentially a measure of the Council's underlying borrowing need.

Part of the Council's treasury activity is to meet the funding requirements for this borrowing need. The treasury management section organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, the Public Works Loan Board [PWLb], other Local Authorities, or the money markets), or utilising temporary cash resources within the Council.

The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. The Council is required to make an annual revenue charge, called the Loans Fund Principal Repayment. This is effectively a repayment of the borrowing need and it is charged to revenue over the life of the asset. This charge reduces the CFR each year. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as capital receipts); or
- increasing the annual revenue charge

The Council's CFR for the year is a key prudential indicator and is shown below. The opening balance includes PPP/ NPD schemes on the balance sheet, which increases the Council's borrowing need. This is shown in order to give a complete picture of the Council's debt, however, no borrowing is actually required against these schemes as a borrowing facility is included in the contract and, as such, this is subsequently removed.

Table 3 shows that, based on historic capital expenditure and this year's capital expenditure, the Council has a cumulative underlying need to borrow £319.548m at 31 March 2021.

TABLE 3

CFR	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Opening balance	307.680	309.450	309.450
Add new PPP/NPD liability	107.013	95.988	103.431
Revised Opening Balance	414.693	405.438	412.881
Add unfinanced capital expenditure (General Fund)	5.807	-	3.590
Add unfinanced capital expenditure (HRA)	7.510	11.699	15.002
Less Loans Fund Principal Repayments	(11.547)	(8.495)	(8.494)
Sub-total	416.463	408.642	422.979
Less PPP/NPD lease repayments	(107.013)	(95.988)	(103.431)
Closing balance (Indicator 2)	309.450	312.654	319.548
Annual Change (Indicator 3)	1.770	3.204	10.098

(c) Limits to Borrowing Activity (Prudential Indicators 4 - 6)

Borrowing activity is constrained by the prudential indicators for CFR and gross borrowing and by the authorised limit, to ensure that the Council operates its activities within well-defined limits.

Gross borrowing and the CFR

There is a need to ensure that gross debt does not, except in the medium term, exceed the total CFR (i.e. the Council does not borrow more than it needs to fund its capital programme). In exceptional circumstances Councils are allowed to borrow to cover the current financial year plus the next two financial years (i.e. to 2021/22). This provides some flexibility to borrow in advance where this is appropriate.

Table 4 highlights the Council's gross borrowing position against the CFR and confirms that the Council has complied with this prudential indicator as gross borrowing is currently within the CFR. The Council is currently under borrowed by £68.042m due to the continuing strategy to delay new external borrowing by utilising internal cash balances. The increase in the under borrowed position reflects the additional Covid-19 funding allocations received which has delayed the Councils requirement to borrow.

TABLE 4

	2019/20 Actual £m	2020/21 Estimate £m	2020/21 Actual £m
Gross borrowing position (Indicator 4)*	279.493	282.654	251.507
CFR	309.450	312.654	319.548
(Under)/Over Borrowed Position	(29.957)	(30.000)	(68.042)

As part of its Annual Treasury Management Strategy the Council sets limits for external borrowing which it is not normally expected to exceed. These limits are explained below.

The Operational Boundary (Indicator 5)

The operational boundary is the expected maximum borrowing position of the Council during the year, taking account of the timing of various funding streams and the recharge of principal repayments from the revenue account. Periods where the actual position varies from the boundary are acceptable subject to the authorised limit not being breached.

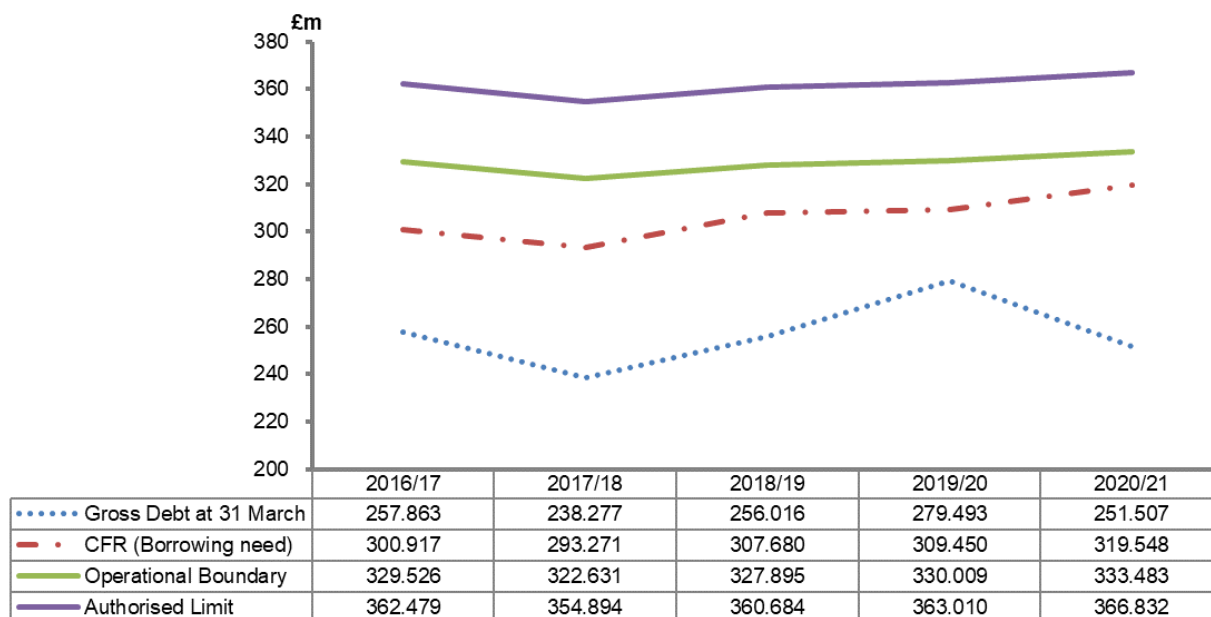
The Authorised Limit (Indicator 6)

The authorised limit represents a limit beyond which external debt is prohibited. This limit is set by Council and can only be revised by Cabinet approval. It reflects the level of external borrowing which, while not desirable, could be afforded in the short term but is not sustainable in the longer term. The current limit is set at 10% above the operational boundary.

The following graph shows the trend of the Council's gross borrowing against approved limits. This demonstrates that during 2020/21 the Council's gross borrowing was within both the operational boundary and the authorised limit by a very significant margin, due largely to the continuing strategy to delay new external borrowing by utilising internal cash balances.

Information on the re-profiling of capital expenditure can be found in the 'Capital Programme Performance to 31 March 2021' report, presented to Cabinet on 15 June 2021.

Borrowing Projection v Approved Limits



(d) Treasury Position at 31 March 2021 (Prudential Indicators 7 -9)

The Council's debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within agreed parameters. Procedures and controls to achieve these objectives are well established both through Member reporting and through the Council's Treasury Management Practices.

Borrowing Strategy for 2020/21

The borrowing strategy for 2020/21 anticipated bank interest rates remaining at 0.75% and that there would be marginal increases in the medium and longer term fixed borrowing rates during 2020/21. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued economic uncertainty promoted a cautious approach, whereby investments continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

The start of the financial year saw many central banks cutting interest rates as lockdowns, in response to the coronavirus pandemic, caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and it remained at this level throughout the year.

Following a consultation during 2020 on the PWLB future lending terms, the PWLB rate was lowered by 1 percent in November 2020. However, PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield. There are no plans for North Ayrshire Council to undertake any activities which would limit its access to PWLB loans.

In response to the Coronavirus pandemic, the UK Government provided a range of range of fiscal stimulus measures, the size of which has not been seen in peacetime. The Council received significant additional funding from the Scottish Government to tackle the impacts of the pandemic. As a result, the Council held higher investment balances during the year and utilised internal resources to meet its in year borrowing requirements.

Borrowing Outturn for 2020/21

At the beginning and end of 2020/21, the Councils treasury position was as follows:

TABLE 5

	31 March 2020 Principal £m	Rate/ Return %	31 March 2021 Principal £m	Rate/ Return %
Fixed rate funding:				
- PWLB	201.831	4.95%	183.943	4.60%
-Local Authorities	25.000	0.76%	15.000	0.42%
-Market	1.712	7.47%	1.614	7.93%
Variable rate funding:				
- Market	50.950	5.33%	50.950	5.33%
Total debt	279.493	4.66%	251.507	4.52%
CFR	309.450		319.548	
Over / (under) borrowing	(29.957)		(68.041)	
Investments:				
- Internally managed	39.657	0.80%	42.258	0.25%
Total investments	39.657		42.258	

The Council's gross debt position decreased by £27.986 during 2020/21. A summary of the movement is outlined below.

Category of Debt	Activity	£m
Fixed - PWLB	Repayment	(17.888)
Fixed - Local Authorities	Repayment	(10.000)
Fixed - Market	Repayment	(0.098)
Variable - Market	Recategorisation	0.000
Net Decrease in Debt		(27.986)

In accordance with the agreed strategy and taking appropriate cognisance of investment concerns, both in terms of counterparty risk and low returns on investment, the Council used internal short-term cash reserves to temporarily fund its remaining borrowing requirement.

Rescheduling

No rescheduling was done during the year as the average differential between PWLB new borrowing rates and premature repayment rates made rescheduling not viable.

All investments at 31 March 2021 mature within one year in line with the Annual Treasury Management and Investment Strategy. (Indicator 7)

The maturity structure of the debt portfolio (Indicator 8) at 31 March 2021 is included in Table 6 and shows the period when the Council is required to repay and/or refinance debt. It is important to ensure a reasonable spread of debt to mitigate against high exposure levels in respect of refinancing. The current profile ensures this:

TABLE 6

	31 March 2020 Actual £m	31 March 2020 Actual %	31 March 2021 Actual £m	31 March 2021 Actual %
Under 12 months	81.838	29%	43.929	17%
12 months and within 24 months	2.888	1%	2.961	1%
24 months and within 5 years	8.819	3%	8.931	4%
5 years and within 10 years	20.995	8%	25.620	10%
10 years and within 20 years	33.640	59%	31.152	68%
20 years and within 30 years	12.425		7.025	
30 years and within 40 years	106.887		106.887	
40 years and within 50 years	2.000		15.000	
50 years and above	10.000		10.000	
Total Borrowing	279.493	100%	251.507	100%

Another indicator is used to manage risk and reduce the impact of adverse movement in interest rates. This sets a limit on the Council's exposure to fixed and variable interest rates (**Indicator 9**) and was as follows:

TABLE 7

	2019/20 Actual £m	2020/21 Limit £m	2020/21 Actual £m
Limit on fixed rate (principal)	228.543	306.895	200.557
Limit on variable rate (principal)	50.950	60.000	50.950

Estimates of prudent Loans Fund repayment

The purpose of the Loans Fund is to record advances for expenditure incurred or loans made to third parties which a local authority has determined are to be financed from borrowing as set out in Regulation 2 of The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 ["the Regulations"]. The Loans Fund advance is effectively the repayment of the 'principal' linked to the expenditure classified above which is unfinanced and is required to be funded from borrowing. Repayment of Loans Fund advances are required to be made in line with Scottish Government statutory guidance on Loans Fund Accounting.

The above regulations state that Council's may vary the period and/or amount of the repayments if they consider it prudent to do so. A review carried out during 2019/20 resulted in all advances made since 2008/09 being recalculated to align the repayment to the Useful Economic Life (UEL) of the assets. A further review was carried out on advances made from the General Fund from 2004/05 to 2008/09. Where there were sufficiently detailed records, those advances were also recalculated using the above method.

Although there was no change in the overall level of Loans Fund advances to be repaid, this resulted in the reprofiling of the principal and interest payments based on the review of the UEL of the assets with a resulting increase in the interest calculations over the period of the advances. Over the period of the current General Services Capital programme reductions in repayments of £3.797m will be realised. Over the full period of advance repayments, the changes will result in an overall increase in interest costs of £1.217m for the General Fund and based on the current Capital Programmes as approved by Council. Any changes to the approved Programmes will impact on the movement.

The Authority's latest estimates of its Loans Fund account information are as follows:

Year	Opening Balance £m	Advances to GF £m	Advances to HRA £m	Repayment by GF £m	Repayment by HRA £m	Closing Balance £m
2020/21 Actual	309.450	3.592	15.003	-4.662	-3.832	319.551
2021/22 - 25/26	319.551	171.436	186.131	-23.790	-36.787	616.541
2026/27 - 30/31	616.541	8.448	3.875	-27.270	-46.728	554.866
2031/32 - 35/36	554.866	0.000	0.000	-33.639	-55.109	466.118
2036/37 - 40/41	466.118	0.000	0.000	-37.322	-60.434	368.362
2041/42 - 45/46	368.362	0.000	0.000	-39.864	-41.502	286.996
2046/47 - 50/51	286.996	0.000	0.000	-46.009	-22.706	218.281
2051/52 - 55/56	218.281	0.000	0.000	-47.252	-24.462	146.567
2056/57 - 60/61	146.567	0.000	0.000	-36.503	-26.807	83.257
2061/62 - 65/66	83.257	0.000	0.000	-35.331	-11.197	36.729
2066/67 & later	36.729	0.000	0.000	-36.729	0.000	0.000

(e) Affordability Prudential Indicators (Prudential Indicators 10 - 12)

These Prudential Indicators assess the affordability of capital investment plans and provide an indication of the impact of capital investment plans on the Council's overall finances.

Actual financing costs as a proportion of net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream and is a measure of affordability for debt repayment. For 2020/21 the General Services ratio decreased largely as a result of the realignment of the loans fund advances repayments to be linked to the useful economic life of the assets. The rising ratio within the HRA is indicative of the significant capital investment programme as outlined in the Strategic Housing Investment Plan. Capital expenditure impacts on the revenue budget through financing charges so it is essential the Council ensures the financing costs remain affordable and do not constitute an excessive proportion of the revenue resources available. From a General Fund perspective, the Scottish Local Authority average was 6.94%, therefore demonstrating a prudent borrowing policy. For the HRA, the Scottish average was 22.68%. The level of loan charges is deemed prudent and affordable within the framework of the 30 year Housing business plan.

TABLE 8

Estimate of ratio of financing costs to net revenue stream	2019/20 Actual	2020/21 Estimate	2020/21 Actual
General Services	4.5%	3.5%	3.0%
HRA	17.1%	18.5%	17.7%

4. Investment Rates and Outturn 2020/21

Interest Rates

The Bank of England base remained at the record low of 0.1% throughout 2020/21. Current indicators anticipate the rate remaining low during 2021/22. As a result, deposit rates were significantly lower during 2020/21 and are anticipated to remain low during 2021/22.

Investment Policy

The Council's investment policy is governed by Scottish Government investment regulations, which have been implemented in the annual investment strategy approved by the Council on 5 March 2020. This policy sets out the approach for choosing investment counterparties and is based upon: new bank resolution regulations, where failing banks will not be bailed-out but 'bailed-in' by unsecured investors that can include local authorities; the capacity of banks to absorb unexpected losses; and credit ratings provided by the leading credit rating agencies. This is supplemented by additional market data (such as economic data, credit default swaps, bank share prices etc.).

Resources

The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's cash resources were as follows:

TABLE 9

Cash Balances	2019/20 Actual	2020/21 Actual
	£m	£m
1 April	21.850	39.657
31 March	39.657	42.258
Change in year	17.807	2.601

Investments held by the Council

The Council maintained an average balance of £44.439m of internally managed funds and utilised cash balances during the year in support of the under-borrowed position. The internally managed funds, primarily invested in call accounts with banks, Money Market Funds and other UK local authorities, earned a weighted average rate of return of 0.25%. This compares to a rate of 0.80% in 2019/20. Performance was below the target rate of 0.65% and reflects the bank rate being at a record low of 0.10% throughout the year and the short term nature of our investments and our overall investment objectives of security and liquidity.

5. Performance Measurement

One of the key requirements in the Code is the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide.

The Council's treasury management advisors are Arlingclose Limited. Arlingclose has five Scottish Local Authorities in their client group and provide regular investment benchmarking information to the Council. In terms of performance in 2019/20, North Ayrshire Council's average weighted rate of return on investments during 20/21 was 0.25% (19/20 0.80%). The actual rate of return on investments as at 31 March for North Ayrshire Council was 0.13% compared to the group average rate of 0.09%.

Emphasis will continue to be placed on investing with approved counterparties in accordance with the approved strategy.

NORTH AYRSHIRE COUNCIL

23 June 2021

North Ayrshire Council

Title: North Ayrshire Charitable Trusts: Unaudited Trustees' Annual Report 2020/21

Purpose: To present the unaudited Trustees' Annual Report for the year to 31 March 2021 to the Council, as trustees, for approval.

Recommendation: That Council, as trustees of the North Ayrshire Council Charitable Trusts, approves the annual report for 2020/21, subject to audit.

1. Executive Summary

- 1.1 The Council administers a number of charitable trusts including a number of Town Trusts, which amalgamate various bequests made in relation to specific localities; the North Ayrshire Charitable Trust, which collates bequests which are not specific to any particular location within North Ayrshire; and three specific trusts, including the Anderson Park Trust, the Douglas Sellers Trust and the Margaret Archibald Trust. All of these trusts are charities registered with the Office of the Scottish Charity Regulator (OSCR).
- 1.2 During 2020/21 McGavin Park Trust, held within North Ayrshire Council Charitable Trust, exhausted its capital through the disbursement of grants and, with the agreement of OSCR, has been wound up.
- 1.3 The financial statements within this report have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006. The statements are subject to audit by the appointed auditor, Deloitte LLP, and a report on the outcome of the audit will be presented to the Audit and Scrutiny Committee on completion.
- 1.4 During 2020/21, the level of grant disbursement activity has been impacted by the pandemic and the subsequent lockdown restrictions.

2. Background

- 2.1 All charitable trusts registered with the Office of the Scottish Charity Regulator at 31 March 2021 are required to prepare Trustees' Reports for 2020/21, which must be independently audited. The report attached at Appendix 1 presents the Trustees' Annual Report and Financial Statements for all of North Ayrshire Council's charitable trusts and Deloitte LLP have been appointed as external auditors for 2020/21.

- 2.2 The Council, as trustees of the North Ayrshire Council charitable trusts, has delegated authority for the approval of individual disbursements from all Trusts to the relevant Locality Partnerships.
- 2.3 During 2020/21 officers have continued to seek options for the appropriate use of these funds, including any options which could deplete the available capital and result in the winding up of the trust, subject to approval by OSCR.
- 2.4 During 2020/21 grant disbursements were approved in relation to McGavin Park Trust, held within North Ayrshire Council Charitable Trust, which resulted in the exhaustion of the available capital and, with the agreement of OSCR, the trust has been wound up.
- 2.5 At 31 March 2021, six Trusts and four bequests registered to the North Ayrshire Charitable Trust have been identified as dormant, having made no disbursements for at least one year. The period of dormancy for each trust is detailed in the attached Trustees' Annual Report. The dormant trusts are;
- Anderson Park Trust;
 - Douglas Sellers Trust;
 - North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust;
 - North Ayrshire Council (Dalry) Charitable Trust;
 - North Ayrshire Council (Largs) Charitable Trust;
 - North Ayrshire Council (Kilwinning) Charitable Trust;
 - Largs War Memorial Bequest (included within the North Ayrshire Charitable Trust);
 - North Ayrshire Museum Bequest (included within the North Ayrshire Charitable Trust)
 - Sir James Dyer Simpson Bequest (included within the North Ayrshire Charitable Trust); and
 - Spiers Trust (included within the North Ayrshire Charitable Trust).
- 2.6 It is recognised that the pandemic and subsequent lockdown restrictions have clearly impacted the level of grant disbursement activity during 2020/21. Officers will continue to monitor activity and seek appropriate options going forward. However, if no options are identified for the use of these funds, the funds may be exhausted through the application of external audit fees and administration costs.

3. Proposals

- 3.1 It is proposed that Council, as trustees of the North Ayrshire Council Charitable Trusts, approves the annual report for 2020/21, subject to audit.

4. Implications/Socio-economic Duty

Financial

- 4.1 The cost of the audit for 2020/21 was £1,200, which has been borne by the charitable trusts.

Human Resources

- 4.2 None.

Legal

- 4.3 Trustees have an obligation to act in the interests of the individual Trusts and comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 to keep and report proper financial records.

Equality/Socio-economic

- 4.4 Some of the Trusts are specifically intended to benefit those in old age or with ill-health or disabilities.

Environmental and Sustainability

- 4.5 None.

Key Priorities

- 4.6 The administration of the Trusts supports North Ayrshire Council's priorities of active and strong communities, people enjoy good life-long health and well-being and a sustainable environment as outlined in the draft Council Plan 2019-24.

Community Wealth Building

- 4.7 None.

5. Consultation

- 5.1 Legal Services were consulted during the preparation of the Trustees' Annual Report 2020/21.

Mark Boyd
Head of Service (Finance)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

None



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

**NORTH AYRSHIRE COUNCIL TRUST FUNDS
TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 March 2021**

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1. INTRODUCTION

The Trustees present the Annual Report together with the Financial Statements and the Auditor's Report for the year ended 31 March 2021.

ADMINISTRATION INFORMATION

The following Charities' Financial Statements are included in this report:

Charity Number	Charity Name	Charity Number	Charity Name
SC042136	Anderson Park Trust	SC043644	North Ayrshire Council (Dalry) Charitable Trust
SC042101	Douglas Sellers Trust	SC043600	North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust
SC042117	Margaret Archibald Bequest	SC043374	North Ayrshire Council (Kilwinning) Charitable Trust
SC025083	North Ayrshire Council Charitable Trust	SC043494	North Ayrshire Council (Largs) Charitable Trust

Contact Address North Ayrshire Council
Finance
Cunninghame House
Irvine
Ayrshire
KA12 8EE

Auditor Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Current Trustees Robert Barr
John Bell
Timothy Billings
Marie Burns
Ian Clarkson
Joe Cullinane
Scott Davidson
Anthea Dickson
John Easdale
Todd Ferguson
Robert Foster
Scott Gallacher
Alex Gallagher
Margaret George
John Glover
Tony Gurney

Alan Hill
Christina Larsen
Shaun Macaulay
Tom Marshall
Jean McClung
Ellen McMaster
Ronnie McNicol
Louise McPhater
Davina McTiernan
Jimmy Miller
Jim Montgomerie
Ian Murdoch
Donald L Reid
Donald Reid
Angela Stephen
John Sweeney

2. STRUCTURE AND GOVERNANCE

The Charitable Trusts are registered with the Office of the Scottish Charity Regulator (OSCR).

The governing documents are:

	Charity Name	Governing Document	Dated
SC042136	Anderson Park Trust	Trust Disposition and Settlement	8 July 1960
SC042101	Douglas Sellers Trust	Trust Disposition and Settlement	21 January 1955
SC042117	Margaret Archibald Bequest	Trust Deed	22 July 1992
SC025083	North Ayrshire Council Charitable Trust	No overall governing documents. Available documents include: Spier's Trust: Trust Scheme North Ayrshire Museum: Scheme of Administration and Minute of Agreement Hugh Watt Bursary: Deed of Trust John Hugh Watt Scholarship Prize: Deed of Gift	1978 1958 1974 1873 1920
SC043644	North Ayrshire Council (Dalry) Charitable Trust	Trust Deed	26 November 2012
SC043600	North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust	Trust Deed	23 October 2012
SC043374	North Ayrshire Council (Kilwinning) Charitable Trust	Trust Deed	20 July 2012
SC043494	North Ayrshire Council (Largs) Charitable Trust	Trust Deed	7 September 2012

During 2020/21 McGavin Park Trust held within North Ayrshire Council Charitable Trust was wound up, with the agreement of the Office of the Scottish Charity Regulator, following the exhaustion of its capital through the disbursement of grants.

The Trustees of the Charitable Trusts are the elected members of North Ayrshire Council and are appointed through their election to the Council.

The Head of Finance is the designated officer within North Ayrshire Council with responsibility for the proper administration of the Charitable Trusts' financial affairs. The Head of Finance is responsible for keeping proper accounting records that are up to date and which ensure that financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

The Head of Finance has considered and taken steps to address any risks to which the Charity may be exposed, in particular those related to its operation and finances. Trustees are satisfied that adequate systems are in place to mitigate exposure to such risks.

3. MANAGEMENT OF FUNDS AND INVESTMENT POLICY

Decisions regarding the management of the Trusts have been delegated by the Council to the relevant Locality Partnerships.

The Trustees rely on the expertise of North Ayrshire Council to manage the investments to ensure the maximum return and the least risk to the Charities. In this way, the income stream for the future benefit of the Charities is protected.

The funds of the Charities are deposited with North Ayrshire Council (see note 7) and invested in stocks and shares in a variety of companies (see note 8).

4. OBJECTIVES AND ACTIVITIES

Charity Number	Charity Name	Objectives
SC042136	Anderson Park Trust	Provision of recreational facilities or the organisation of recreational activities in the Burgh of Largs.
SC042101	Douglas Sellers Trust	Maintenance, improvement and advancement of recreational facilities within the Burgh of Irvine; Maintenance, improvement and floral decoration of open spaces within the Burgh of Irvine.
SC042117	Margaret Archibald Bequest	Relief of those in need who are aged 65 and over and who reside in the Parish of Dalry.
SC025083	North Ayrshire Council Charitable Trust	Encouragement and promotion of education among students, including bursaries and prizes awarded; Provision of recreational facilities or organisation of recreational activities; Upkeep of war memorials.
SC043644	North Ayrshire Council (Dalry) Charitable Trust	Prevention or relief of poverty; Provision of recreational facilities or the organisation of recreational activities; Relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage.
SC043600	North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust)	Prevention or relief of poverty; Provision of recreational facilities or the organisation of recreational activities; Relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage.

Charity Number	Charity Name	Objectives
SC043374	North Ayrshire Council (Kilwinning) Charitable Trust	Prevention or relief of poverty; Provision of recreational facilities or the organisation of recreational activities; Relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage.
SC043494	North Ayrshire Council (Largs) Charitable Trust	Prevention or relief of poverty; Provision of recreational facilities or the organisation of recreational activities; Relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage.

Income received is expended on awards and, where necessary, supplemented by revenue reserves.

5. PERFORMANCE

Income to the Charities comes from property rents, share dividends and investment returns.

In the year to 31 March 2021, 4 awards of grant totalling £2,661.00 were disbursed.

6. FINANCIAL REVIEW

Overview

In the year to 31 March 2021, the Charitable Trusts made a surplus of £7,843 (2019/20 Deficit of £15,870).

The Trusts held cash and bank balances at 31 March 2021 of £176,541 (2019/20 £168,699).

The increase in balances relates to income from property rents, share dividends and investment returns, partly offset by the utilisation of funds through the disbursement of grants noted above.

In addition, the Trusts held investments in the form of stocks and shares in a variety of companies with a market value of £283,872 at 31 March 2021 (2019/20 £272,112), (see note 8).

Future Plans

The Charitable Trusts will continue to promote their activities and consider applications submitted by individuals and groups who meet the criteria.

The ongoing impact of the Covid-19 pandemic has resulted in a greater than normal degree of uncertainty within financial markets which may have an adverse impact on the value of stocks and shares held by the Trusts over the course of 2021/22. However, given the current levels of Bank and Cash balances available to the Trusts, it is not anticipated that this will have any impact on the ability of the Trusts to disburse grants during 2021/22.

Where any Trusts have been identified as low value or dormant, North Ayrshire Council will continue to identify options for utilising Trust balances and these will be presented to Trustees when available.

The undernoted Trusts have been identified as dormant having made no disbursements for at least one year, however it is recognised that the pandemic and subsequent lockdown restrictions have impacted on the level of grant disbursement activity during 2020/21:

Charity Number	Charity Name	Period Dormant
SC042136	Anderson Park Trust	Over 5 years
SC025083	North Ayrshire Council Charitable Trust bequests: Largs War Memorial North Ayrshire Museum Sir James Dyer Simpson Spiers Trust	Over 5 years Over 5 years Current Year Current Year
SC042101	Douglas Sellers Trust	Over 2 Years
SC043600	North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust	Over 2 Years
SC043644	North Ayrshire Council (Dalry) Charitable Trust	Current Year
SC043494	North Ayrshire Council (Largs) Charitable Trust	Current Year
SC043374	North Ayrshire Council (Kilwinning) Charitable Trust	Current Year

Reserves Policy

Reserves are held by North Ayrshire Council on behalf of the Trust and revenue income generated from the capital which has not been disbursed at 31 March each year is invested in North Ayrshire Council's Loans Fund.

7. DECLARATION

This report was signed on behalf of the Trustees on _____ by:

Mark Boyd
Head of Finance
North Ayrshire Council

Councillor Joe Cullinane
Leader
North Ayrshire Council

Independent auditor's report to the trustees of North Ayrshire Council Trust Funds and the Accounts Commission

The audit of the Trust's Accounts for 2020/21 is not yet complete. The certified accounts will be presented to Council for approval post audit.

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Statement of Receipts and Payments for year ended 31 March 2021

The Statement of Receipts and Payments, as required by the Charities Accounts (Scotland) Regulations 2006, provides an analysis of the incoming and outgoing cash and bank transactions for the year.

The funds are classed as 'Restricted' because they have specific objectives, as set out in Section 4 of the Trustees' Annual Report.

2020-21		Receipts			Payments			Surplus / (Deficit)
Charity	Description	Investments	Property Rents	Total Receipts	Charitable Activities	Governance Costs	Total Payments	
		£	£	£	£	£	£	£
SC042136	Anderson Park Trust	1	-	1	-	152	152	(151)
SC042101	Douglas Sellers Trust	2	-	2	-	153	153	(151)
SC042117	Margaret Archibald Bequest	6,573	-	6,573	2,136	376	2,512	4,061
SC025083	North Ayrshire Council Trust	3,233	2,660	5,893	525	583	1,108	4,785
SC043644	Dalry Trust	6	-	6	-	161	161	(155)
SC043600	Kilbirnie & Glengarnock Trust	9	-	9	-	166	166	(157)
SC043374	Kilwinning Trust	100	-	100	-	325	325	(225)
SC043494	Largs Trust	18	-	18	-	182	182	(164)
Total		9,942	2,660	12,602	2,661	2,098	4,759	7,843

2019-20		Receipts			Payments			Surplus / (Deficit)
Charity	Description	Investments	Property Rents	Total Receipts	Charitable Activities	Governance Costs	Total Payments	
		£	£	£	£	£	£	£
SC042136	Anderson Park Trust	5	-	5	-	153	153	(148)
SC042101	Douglas Sellers Trust	7	-	7	-	154	154	(147)
SC042117	Margaret Archibald Bequest	10,882	-	10,882	8,400	360	8,760	2,122
SC025083	North Ayrshire Council Trust	3,671	2,660	6,331	3,973	621	4,594	1,737
SC043644	Dalry Trust	20	-	20	1,264	162	1,426	(1,406)
SC043600	Kilbirnie & Glengarnock Trust	28	-	28	-	167	167	(139)
SC043374	Kilwinning Trust	214	-	214	16,549	328	16,877	(16,663)
SC043494	Largs Trust	56	-	56	1,100	182	1,282	(1,226)
Total		14,883	2,660	17,543	31,286	2,127	33,413	(15,870)

Statement of Balances as at 31 March 2021

The Statement of Balances, as required by the Charities Accounts (Scotland) Regulations 2006, reconciles the cash and bank balances at the start and end of the financial year, with any surpluses or deficits shown in the Statement of Receipts and Payments.

2020-21		Bank and Cash in Hand			Land and Buildings	Investments
Charity	Description	Opening Balance	Surplus / (Deficit)	Closing Balance	Market Value at 31 March	Market Value at 31 March
		£	£	£	£	£
SC042136	Anderson Park Trust	461	(151)	310	-	-
SC042101	Douglas Sellers Trust	742	(151)	591	-	-
SC042117	Margaret Archibald Bequest	44,486	4,061	48,547	-	199,209
SC025083	North Ayrshire Council Trust	72,654	4,785	77,439	145,000	84,663
SC043644	Dalry Trust	2,331	(155)	2,176	-	-
SC043600	Kilbirnie & Glengarnock Trust	3,433	(157)	3,276	-	-
SC043374	Kilwinning Trust	37,831	(225)	37,606	-	-
SC043494	Largs Trust	6,760	(164)	6,595	-	-
Total		168,698	7,843	176,541	145,000	283,872

2019-20		Bank and Cash in Hand			Land and Buildings	Investments
Charity	Description	Opening Balance	Surplus / (Deficit)	Closing Balance	Market Value at 31 March	Market Value at 31 March
		£	£	£	£	£
SC042136	Anderson Park Trust	609	(148)	461	-	-
SC042101	Douglas Sellers Trust	890	(147)	743	-	-
SC042117	Margaret Archibald Bequest	42,363	2,122	44,485	-	202,417
SC025083	North Ayrshire Council Trust	70,917	1,737	72,654	145,000	69,695
SC043644	Dalry Trust	3,737	(1,406)	2,331	-	-
SC043600	Kilbirnie & Glengarnock Trust	3,572	(139)	3,433	-	-
SC043374	Kilwinning Trust	54,495	(16,663)	37,832	-	-
SC043494	Largs Trust	7,986	(1,226)	6,760	-	-
Total		184,569	(15,870)	168,699	145,000	272,112

The unaudited accounts were issued on the

Signed on behalf of the Trustees on by:

Mark Boyd
Head of Finance
North Ayrshire Council

Councillor Joe Cullinane
Leader
North Ayrshire Council

1. Basis of Accounting

The Financial Statements have been prepared in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

2. Reorganisation

During the period 2012 to 2014, North Ayrshire Council undertook a review of Sundry Trusts that resulted in the creation of eight new Town Trusts. The North Ayrshire Council Charitable Trust comprises those registered charitable funds that were not amalgamated on a geographical basis, including:

Name of Trust Fund	Purpose
North Ayrshire Museum	For Benefit of North Ayrshire Museum
War Memorial Fund	Largs War Memorial Fund
Sir James Dyer Simpson	Education Prize for Largs Academy
Spier's Trust	Education Prize for the Garnock Valley
Robert Fleck Award	Education Prize for Saltcoats schools
Hugh Watt Bursary Fund	Education Prize for Irvine schools
John Hugh Watt Scholarship Prize	Education Prize for Irvine Royal Academy

3. Taxation

The Charitable Trusts are not liable to income or capital gains tax on their activities. Irrecoverable VAT is included in the expense to which it relates.

4. Trustee Remuneration, Expenses and Related Party Transactions

- No remuneration or expenses were paid to the Trustees or any connected persons during the year 2020/21; and
- The Trusts received interest of £458 (2019/20: £1,246) from North Ayrshire Council at 31 March 2021 and all transactions incoming and outgoing are made via the Council's bank accounts; and
- For 2020/21 charges for administration costs of £825 (2019/20: £798) have been levied by North Ayrshire Council.

5. Grants

4 awards of grant, totalling £2,661.00, were awarded to individuals and community groups during 2020/21 (2019/20: 16 grants totalling £31,285.62 were awarded). 1 grant was awarded to a community group, 1 to an individual and 2 to schools, all for the benefit of the local community.

6. Audit Fee

The audit fee for the year was £1,200 (2019/20: £1,200), allocated across all Trusts.

7. Cash and Bank Balances

During the year the Trust's balances were held by North Ayrshire Council, which manages the administration of the funds on behalf of the Trustees. The Council also acts as the banker for the Charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is paid on balances.

8. Investments

Two of the Trusts hold the following investments:

Margaret Archibald Bequest	Nominal Value	Market Value at 31 March 2021	Market Value at 31 March 2020
	£	£	£
GlaxoSmithKline plc	1,183	60,948	71,690
Marks & Spencer plc	400	2,225	1,460
Diageo plc	400	42,750	36,994
Barclays plc	336	2,499	1,263
Royal Dutch Shell plc	563	8,624	8,786
Unilever plc	37	48,875	49,116
British American Tobacco plc	300	33,288	33,108
		199,209	202,417

North Ayrshire Council Charitable Trust	Purchase Price / Nominal Value	Market Value at 31 March 2021	Market Value at 31 March 2020
	£	£	£
JPM UK Higher Income Fund	1,790	6,997	5,532
Merchants Trust	406	8,060	6,013
Alliance Trust	73	26,867	18,618
Zeneca Group plc	68	19,567	19,483
Diageo	217	23,173	20,049
		84,663	69,695

9. Land and Buildings

Income from property relates to grazing rents at Marshallands Grazings, Barrmill Road, Beith. The land was purchased for £25,000 in 2004 by the Spier's Trust and was last revalued in 2020/21 to a current market value of £145,000. No depreciation is charged.

NORTH AYRSHIRE COUNCIL

23 June 2021

North Ayrshire Council

Title:	Appointment of Monitoring Officer and Proper Officer
Purpose:	To appoint the incoming Head of Democratic Services as the Council's Monitoring Officer in terms of the Local Government and Housing Act 1989 and to note their appointment as Proper Officer of the Council in terms of the Local Government (Scotland) Act 1973.
Recommendation:	It is recommended that with effect from 19 July 2021, Council (a) agree to the appointment of Aileen Craig, incoming Head of Democratic Services as the Council's Monitoring Officer in terms of Section 5 of the Local Government and Housing Act 1989 and (b) to note that Aileen Craig is appointed as Proper Officer for the authentication and execution of documents on behalf of the Council in terms of Section 193 and 194 of the Local Government (Scotland) Act 1973

1. Executive Summary

- 1.1 This report seeks the appointment of Aileen Craig, the newly appointed Head of Democratic Services as the Council's Monitoring Officer.
- 1.2 It also notes Aileen's appointment, in terms of the existing Scheme of Delegation to Officers, as one of the Council's Proper Officers for the execution of documents, with power to appoint further Proper Officers as required.

2. Background

- 2.1 Under section 5 of the Local Government and Housing Act 1989 the Council requires to appoint a Monitoring Officer. The functions of the Monitoring Officer, as set out in section 13B of the Council's Scheme of Delegation to Officers are detailed in Appendix 1. In broad terms, the role of this statutory post is to spot potential contraventions by the Council of the law, to try to remedy these, and if required, to report to Council.

- 2.2 In terms of the Council's Scheme of Delegation to Officers the Head of Democratic Services is designated as the Council's Monitoring Officer. As the current postholder is to retire, on 17 June 2021 the Staffing and Recruitment Committee appointed Aileen Craig to the post.
- 2.3 Aileen will formally take up post on 19th July to allow a short handover with the current postholder who leaves the Council's service on 23 July 2021. It is recommended that Aileen is appointed as Monitoring Officer from 19 July 2021.
- 2.4 The Scheme of Delegation to Officers already provides that the Head of Democratic Services, along with the Chief Executive, is appointed as a Proper Officer for the authentication and execution of documents on behalf of the Council in terms of Section 193 and 194 of the Local Government (Scotland) Act 1973. The Head of Democratic Services also has authority to appoint other officers as Proper Officers. Generally, this has been used to temporarily appoint other senior Legal Officers to enable them to physically sign deeds during periods of absence.
- 2.3 Notwithstanding the Scheme of Delegation to Officers already details that the Head of Democratic Services is a Proper Officer, occasionally the Council is asked to evidence that a signatory is appointed as a Proper Officer. In these circumstances, Council is asked to note the appointment of Aileen Craig as Proper Officer with authority to appoint and designate other officers as Proper Officers.

3. Proposals

- 3.1 It is recommended that with effect from 19 July 2021, Council (a) agree to the appointment of Aileen Craig, incoming Head of Democratic Services as the Council's Monitoring Officer in terms of Section 5 of the Local Government and Housing Act 1989 and (b) to note that Aileen Craig is appointed as Proper Officer for the authentication and execution of documents on behalf of the Council in terms of Section 193 and 194 of the Local Government (Scotland) Act 1973

4. Implications/Socio-economic Duty

Financial

- 4.1 The appointment has no financial implications. However, the role of the Monitoring Officer is to protect the Council from illegality, which in turn lowers the financial risk to the Council.

Human Resources

- 4.2 No implications

Legal

- 4.3 The appointment of the Monitoring Officer is a statutory requirement. It also forms one of the key components of the Council's governance arrangements. Ultimately, like the Section 95 Finance Officer, the Monitoring Officer has power to report potential illegality to the Council. Nevertheless, it should be recognised that the key to the role is in spotting potential issues before they arise and finding solutions. In turn that requires the Monitoring Officer to be aware of what is happening across the Council. For that reason, the recommendation of Audit Scotland is that the post holder should be in a position of sufficient seniority within the Council to enable them to carry out their statutory responsibilities effectively.

Equality/Socio-economic

- 4.4 There are no significant implications, although part of the Monitoring Officer's role is to ensure that legal duties relating to equalities are complied with.

Environmental and Sustainability

- 4.5 No significant implications

Key Priorities

- 4.6 Compliance with legal duties supports effective governance and decision making which in turn supports all the key priorities

Community Wealth Building

- 4.7 There are no implications.

5. Consultation

- 5.1 The appointment of the Head of Democratic Services to these roles is in accordance with the Scheme of Delegation to Officers approved by Council in December 2020.

Craig Hatton
Chief Executive

For further information please contact Andrew Fraser, Head of Democratic Services, on 01294 324125.

Background Papers

N/A

MONITORING OFFICER

The Monitoring Officer is a statutory appointment by the Council by virtue of Section 5 of the Local Government and Housing Act. The Council has resolved that the Monitoring Officer is the Head of Democratic Services. North Ayrshire Integration Joint Board has also resolved that the Head of Democratic Services will have a similar role as its Standards Officer under the Ethical Standards in Public Life etc. (Scotland) Act 2000.

By virtue of Section 5(7) of the 1989 Act, the duties of the Monitoring Officer must be carried out personally by them or, where they are unable to act owing to absence or illness, personally by such member of their staff nominated by them as their deputy.

By virtue of Section 2(1)(e) of the 1989 Act, the post of Monitoring Officer is designated as a politically restricted post, and accordingly is included in the list of such posts required to be maintained by the Council.

Although a statutory appointment, the law does not require the Monitoring Officer to hold any specific qualification, and in particular, they do not require to be a solicitor or advocate. However, the recommendation of Audit Scotland is that the post holder should be in a position of sufficient seniority within the Council to enable them to carry out their statutory responsibilities effectively.

This means that, irrespective of the substantive post which the Monitoring Officer holds in the Council, they will either be a member of the Council's Executive Leadership Team, or have direct access to the Council's Chief Executive, Executive Directors, Heads of Service and Legal Services Manager as they see fit.

Delegated to the Post

The overall powers of the post are: -

- a) To ensure that the Council complies with the requirements of the law and any statutory Codes of Practice relevant to the carrying out of the Council's duties and the delivery of the Council's services.
- b) To ensure that, where any contravention of the law, Code of Practice or corporate governance system has arisen, or is likely to, appropriate advice is given to the Chief Executive and relevant senior officers of the Council regarding the mitigation, rectification or prevention of such contraventions.
- c) To draw to the attention of the Provost or any Convener, any motion or amendment which may contravene any law or code of procedure in order that the Provost or Convener can determine whether the motion or amendment will be considered by Council, committee etc.
- d) To make a statutory report to the full Council regarding any breach or potential breach of the law or statutory code of practice by the Council where it proves impossible to rectify or prevent such breach.

- e) To act as the Council's point of contact by the Public Standards Commissioner for Scotland and the Standards Commission for Scotland regarding complaints concerning alleged breaches of the Councillors' Code of Conduct.
- f) To carry out such investigations as the Chief Executive may determine as relevant to the Monitoring Officer's role.
- g) To obtain, at their discretion, the opinion of Counsel or external solicitors on any matter relevant to the Monitoring Officer's role.
- h) To provide appropriate advice to Elected Members and Council officers regarding the promotion of high standards of conduct and ensure that suitable training is given regarding compliance with the Code of Conduct for Councillors.
- i) To carry out such other duties compatible with the role of the Monitoring Officer as the Council may delegate, or as the Chief Executive may request, such as the investigation of a complaint to the Council alleging breach of the Councillors' Code of Conduct.

Corporate Rights

The Monitoring Officer has the following rights in respect of the carrying out of their statutory role: -

- To have unqualified access to any information held by the Council and to any Officer of the Council who can assist in the discharge of their statutory role.
- To have access to all reports to the Council, its Committees, Sub-Committee, Joint Boards, Joint Committees and Working Groups, as he or she sees fit.

23 June 2021

North Ayrshire Council

Title: **Remote/Hybrid Committee Meetings: Next Phase**

Purpose: To present to the Council information on, and options for, the introduction of hybrid committee meetings.

Recommendation: That the Council:

- (a) notes the availability of a hybrid meeting solution for Council and committee meetings, subject to staff training/system testing over the summer recess period and relaxation of COVID social distancing requirements; and
- (b) agrees that a further report be submitted to Council once physical distancing and home working requirements are lifted to agree (i) the timescale for the introduction of hybrid meetings, (ii) any necessary further amendment to Standing Orders to accommodate hybrid meetings and (iii) the future webcasting/life streaming of all Council/committee meetings which are open to the public.

1. Executive Summary

- 1.1 As a result of COVID-19 and associated restrictions, meetings of the Council and its committees have been taking place on a wholly remote basis via MS Teams since June 2020. Since October 2020, it has also been possible to live-stream these meetings to the Council's webcasting microsite.
- 1.2 Hybrid meeting equipment has now been installed in the Council Chambers, making it possible to hold meetings where some Members/officers attend physically and others via MS Teams. Like wholly physical or wholly remote meetings, a blended/hybrid meeting is capable of being live-streamed to the Council's microsite.
- 1.3 Current guidance is to continue to work from home where possible. Moreover, social distancing restrictions severely limit the number of persons who can physically attend meetings in the Council Chambers. Until these are lifted, it is arguably not practical to resume use of the Chambers, even on a hybrid basis. Considerations around parity detailed later in this report, also suggest that there should be no physical attendees in the Chambers until the option of attending in person is open to all.

- 14 Subject to the relaxation of COVID-19 restrictions and following system training/testing over the summer period, hybrid meeting equipment could initially be used to allow some physical attendance at meetings of the Council and its committees. In the longer term if meetings return to a largely physical format, the equipment could be used to allow some remote attendance where that is required.
- 15 It is proposed that a further report be submitted to Council once home working and physical distancing requirements are removed, to agree the timescale for the introduction of hybrid meetings. All going well, hybrid meetings could commence from the Council meeting on 27 October 2021. In the meantime, some practical and other issues around hybrid meetings, including Standing Orders implications, are set out in this report.

2. Background

Remote Committee Meetings

- 21 In March 2020, in light of the COVID-19 and Government advice in relation to the pandemic, scheduled meetings of the Council and its committees were initially cancelled.
- 22 In June 2020, the Chief Executive, following consultation, under the Council's Emergency Governance arrangements agreed the resumption from September 2020 of committee meetings on a wholly remote basis via Microsoft Teams, with recordings of any meetings normally open to the public to be uploaded onto the Council's website following each meeting. It was also proposed to introduce a new Public-i Connect Remote platform which would allow the remote meetings to be live-streamed to the Council's webcasting microsite in real time.
- 23 The introduction of remote MS Teams committee meetings was supported by the development of meeting protocols as well as a number of test/briefing sessions with Elected Members and officers. The MS Teams committee meetings proved extremely successful, with Members and Officers alike quickly becoming accustomed to the remote platform and very few technical issues arising.
- 24 Similar protocol and training arrangements were put in place prior to the introduction of the new Connect Remote platform at the September 2020 Council meeting. However, technical issues were encountered at the start of that meeting and it was necessary to revert to MS Teams on the day. The decision was taken to revert to MS Teams going forward, given the established reliability of that system and the level of user familiarity with it.
- 25 Officers then introduced an IT solution to address the issue of live-streaming MS Teams (as opposed to Teams recordings being uploaded after the event). All meetings which would ordinarily be open to the public have been successfully live-streamed in this way since October 2020 and are also available as a resource on the Council's microsite at www.north-ayrshire.public-i.tv/core/portal/home

Hybrid Meeting Equipment

- 26 There is an appetite to return to physical meetings in the Council Chambers, COVID-19 restrictions notwithstanding. At the same time, the convenience of remote meetings has been welcomed and there is likely to be demand for a remote element to continue meetings beyond COVID-19 (e.g. when poor weather makes travel difficult or to accommodate the needs of Members who live on the islands or have other employment).
- 27 Hybrid meetings offer a solution. The hybrid system installed in the Council Chambers works with the Council's existing webcasting equipment to combine physical attendees in the Chambers and remote attendees joining the meeting via a remote meeting platform (such as MS Teams) to create a blended/hybrid meeting.

Physical Attendees participate in the usual way using their Council Chambers microphones. They are able to view/hear remote attendees via the television screens and audio system in the Chambers.

Remote Attendees join the meeting via an MS Teams link. They see a wide shot of the Council Chambers and can see/hear individual speakers when they operate their microphones.

Live Streaming the new hybrid equipment offers the option of live streaming a blended/hybrid meeting to the Council's webcasting microsite, where it can be viewed live or after the event. This could be in lieu of a public gallery (while the Coronavirus (Scotland) Act 2021 provisions remain in place) or, in due course, as an enhancement to it, to allow a wider audience to view the proceedings.

- 28 How the hybrid equipment is used largely depends upon the Council and also the COVID-19 restrictions in force at the time. A difficulty is that if the capacity of the Chambers is limited by social distancing measures, only a limited number of Members could attend in person. Clearly a number of officers, potentially including some who are speaking to reports, would not be able to attend due to similar social distancing issues. Nor would full public attendance be possible (including for applicants/appellants/licence-holders).
- 29 Following the easing of restrictions, the system could allow mainly physical meetings to be attended remotely by a few Members/officers, or to respond to particular weather/other incidents or events.

Indicative Timescale

- 210 Scotland is expected to be at COVID-19 Level 0 by the end of June 2021. At this point, some limited opening of offices is permitted (presumably including for committee meetings). However, home working is still advised at that stage and any ongoing social distancing requirements would limit the capacity of the Council Chambers.

- 211 The Council's current legal power to exclude the public from meetings due to a "real or substantial risk to public health" specifically relating to infection or contamination by Coronavirus ends on 30 September 2021 with the expiry of the Coronavirus (Scotland) Act 2021. The Act cannot be extended beyond that date and, although it is understood that a replacement Act is being prepared, it is assumed that some public gallery provision will be required from October 2021 where there is a physical component to a Council/committee meeting. This would require to be safely managed.
- 212 With the above in mind, it is proposed that Committee Services stress-test the new hybrid equipment over the summer recess period when staff resources permit, and that a report on hybrid meetings is then submitted to the first meeting of the full Council following removal of social distancing restrictions
- 213 Subject to Council approval, confirmation that 'work from home where possible' and social distancing restrictions have been removed, and any necessary further change to Standing Orders, meetings could then begin to operate a hybrid basis from the 27 October 2021 Council meeting.

Practical Considerations

- 214 Two-metre social distancing measures reduce the capacity of the Chambers to 13 maximum (plus 2 Committee Services Officers and a public gallery provision of 2). This, coupled with Scottish Government guidance on home working where possible, may mean that, for all but the smallest committees, physical attendance at meetings by even a representative sample of Members, Officers and the public, is not possible.
- 215 Some of the practical implications for physical attendance during COVID are highlighted below:

<i>Ventilation</i>	Windows and doors would need to be open in the Chambers to allow adequate ventilation and attendees would need to bear this in mind, particularly during colder weather and for lengthy meetings. Having windows open during a meeting may have implications for consideration of any confidential/exempt material.
<i>Attending the Chambers</i>	As a precaution, physical attendees might be asked to remain outside the building until immediately before the start of the meeting and avoid mixing in the Members' lounge before or after the meeting. Some additional cleaning of the Chambers before and after the meeting would also need to be resourced.
<i>Face Coverings</i>	Face coverings may not be required while participants are seated but would be needed when moving around the room
<i>Contact Tracing</i>	Some contact tracing information would need to be gathered for external parties attending in person (such as objectors, applicants, appellants, representatives of other organisations and any public gallery attendees)

<i>Public Gallery</i>	Public gallery provision is expected to be legally required from October 2021, albeit that it may be possible/necessary to reduce the size of the public gallery provision, particularly while social distancing measures are in place, e.g. 2-3 places. Public/press attendance could potentially be by application, with the majority of public access remaining via live-streaming
<i>Seating Plans</i>	Advance agreement of physical attendance would be required, to allow Committee Services to allocate the available seating and update the electronic seating plan prior to every meeting (so that the system correctly identifies speakers when they use their microphones)
<i>Political Parity</i>	Where social distancing means that not every request to attend in person can be accommodated, there would be a real issue in determining which Elected Members could be permitted to join a meeting physically. This is particularly so in circumstances where in the event of a failure in remote access, the physical meeting remains quorate and continues. There is an argument that, in the interests of parity, no Member should join the meeting from the Chambers until all have the opportunity to do so.

Standing Orders Considerations

- 2.16 The Local Government (Scotland) Act 2003 permits the holding of and participation in remote meetings and the Council's Standing Orders have already been amended to mirror the terms of the Act. Members who attend a remote meeting of Council/its committees are regarded as 'present'. The MS Teams Committee Meetings Protocol clarifies that any loss of connection during a meeting is not sufficient to prevent an otherwise quorate meeting from proceeding. So, if an individual Member drops out of a remote meeting due to a failure of their device or a broadband issue, this is treated in the same way as if they had left the room during a physical meeting.
- 2.17 What is not clear, is the application of this to a hybrid meeting. Here, the issue might be one of a complete hybrid system failure rather than a connection issue affecting an individual participant. In this scenario, there may be some Members within the Chambers ready to participate in the meeting and other Members who have successfully joined via MS Teams (and there may be enough Members in each case to form a quorum), but a technical issue with the hybrid system results in a failure to combine the two elements into a single meeting. Effectively there are now two meetings, each of which is quorate. Although we do expect the hybrid equipment to operate reliably (and for comprehensive stress-testing and pre-meeting tests to be conducted), consideration needs to be given to dealing with such a situation, however unlikely.

- 218 A practical solution to address the above scenario might be for the Provost/Chair to rule that the hybrid meeting be rescheduled as a wholly remote meeting via MS Teams (assuming all the physical attendees have a device to hand). This solution may be acceptable during COVID-19 where most meeting participants (including the officers presenting reports) are still remote, but it could be problematic at some future point if most people are in the room and perhaps only one or two happen to be attending remotely.
- 219 In another scenario, a meeting might be about to proceed with mainly remote participants, only for there to be a complete failure of the remote platform. This issue has not arisen in the last year, although such a failure did affect some users across Europe and Asia on 27 April 2021. In such circumstances, it would be important to know in advance that the meeting required to be rescheduled even if there were a quorum present in the Chambers.
- 220 In terms of the 2003 Act, it is for the Chair to determine whether a meeting takes place on a remote or hybrid basis and Standing Order 5.7 already includes a provision for the Provost/Chair to “determine any questions of procedure for which no express provision has been made in these Standing Orders”. So, theoretically, the Chair of a meeting could determine the appropriate course of action in the various scenarios described above.
- 221 In theory it would be possible to amend Standing Orders to include a provision to designate each hybrid meeting in advance as either a *Remote Meeting (with physical participation)* or a *Physical Meeting (with remote participation)*. This would mean that, in the event of any failure of the hybrid meeting equipment, the physical meeting or remote meeting would take precedence as appropriate, provided it had a quorum. The flaw in this is that the latter solution of *Physical Meeting (with remote participation)* results in Members attending remotely not being able to participate in the meeting. Inevitably this will make physical presence the favoured option, which in turn makes it even more difficult to agree who would physically attend the meeting during social distancing restrictions. It is one thing to be cut out of a meeting when a Member has chosen to attend remotely and knows the consequences of a failure. It is quite another thing to be cut out of a meeting when a Member wished to attend but was unable to do so for reasons of social distancing numbers.
- 222 For these reasons it is not recommended that hybrid meetings commence until social distancing restrictions are lifted. This would also require the guidance on working from home where possible to be relaxed.
- 223 Consideration will also need to be given to whether key external parties could join remotely. And members of the press/public within the public gallery might also need to be assisted to access the live-stream. There are practical issues around resourcing this.

Hybrid Protocol

- 224 Prior to introducing remote committee meetings, a Microsoft Teams Committee Meetings Protocol was prepared to help ensure they operated effectively.

- 225 A protocol would be also helpful for hybrid meetings in due course, to cover various practical arrangements associated with such meetings, for the benefit of officers, Members and external parties.

Other Types of Meeting

- 226 Only Council Chambers have the software and cameras to enable hybrid meetings as proposed. For that reason, it suggested that the hybrid equipment in the Council Chambers would be used only for formal meetings of the Council and its committees. While any COVID-19 restrictions are in place, it is anticipated that Pre-Agenda/informal meetings could continue on a wholly remote basis.
- 227 Even beyond COVID-19 restrictions, it may be that Pre-Agenda meetings and informal meetings between Elected Members/Officers remain as wholly remote if that suited the Elected Members/officers involved. Alternatively, subject to the upgrading of meeting rooms, a hybrid element could be achieved by displaying MS Teams attendees on meeting room screens.

3. Proposals

- 3.1 The Council is invited to:
- (a) note the availability of a hybrid meeting solution for Council and committee meetings, subject to staff training/system testing over the summer recess period and relaxation of COVID social distancing requirements; and
 - (b) agree that a further report would be submitted to Council once physical distancing and working from home requirements are lifted to agree (i) the timescale for the introduction of hybrid meetings, (ii) any necessary further amendment to Standing Orders to accommodate hybrid meetings and (iii) the future webcasting/live streaming of all Council/committee meetings which are open to the public.

4. Implications/Socio-economic Duty

Financial

- 4.1 Prior to COVID-19, the Council webcast only meetings of the Council, Integration Joint Board, but it is assumed that even following the relaxation of restrictions and the reintroduction of a physical public gallery, live-streaming of all meetings which are not subject to the exclusion of the press and public will be expected as a matter of course. Additional webcasting hours have been purchased to accommodate this in the interim and this can be built into the retendering exercise for webcasting from June 2022.
- 4.2 Remote meetings have significantly reduced expenditure on Elected Member travel. The resumption of physical attendance will increase such costs.
- 4.3 While this report covers only formal meetings of the Council and its committees held in the Council Chambers, it is worth noting that there may be further financial implications corporately if other meeting rooms within Cunninghame House are upgraded to facilitate some other types of blended/hybrid meetings.

Human Resources

- 4.4 Remote/hybrid meetings are more resource-intensive than physical meetings, particularly where physical meetings are not webcast. The Committee Services team comprises only four Committee Services Officers, one of whom clerks the meeting.

Legal

Remote/Hybrid Meetings

- 4.5 The Local Government (Scotland) Act 2003 permits the holding of and participation in remote meetings. The Council's Standing Orders have been varied using the Chief Executive's urgency powers to mirror the terms of the Act and facilitate the holding of remote and/or hybrid meetings. [The Standing Orders relating to the Integration Joint Board already include a general provision (section 4.4) which encompasses remote or hybrid meetings].
- 4.6 In terms of Section 43(2) of the 2003 Act, the decision on whether a meeting is remote or hybrid is for the Provost or relevant committee Chair. The report to Council may seek the express approval of Chairs to permit hybrid meetings. Alternatively, unanimous approval of the Council report (with all committee chairs present) may be treated as a direction from them.

Public Gallery Provision (Remote Meetings)

- 4.7 Part 4 of the Coronavirus (Scotland) Act 2020 contains temporary modifications to Section 50A of the Local Government (Scotland) Act 1973 by adding an additional ground for the exclusion of the public from meetings of Local Authorities where there would be a "real or substantial risk" to public health due to infection or contamination with coronavirus. There is no distinction between virtual and physical Local Authority meetings within the temporary grounds (although it is difficult, of course, to make the case that there would be a 'real or substantial risk' associated with the public attending a remote meeting).
- 4.8 The temporary power to exclude the public from Local Authority meetings on coronavirus grounds is currently enforceable under Part 1 of the 2020 Act and the Act is due to expire on 30 September. It is understood that the Scottish Government are currently preparing further primary legislation although the terms of this are currently unknown. It is the view of the Council's Legal service that, by streaming its Teams meetings to the Council's website, the Council is effectively admitting the public to its remote meetings.
- 4.9 Whilst live streaming of remote meetings is likely to constitute public access to a meeting of the Council or its committees held on a wholly remote basis, it is logical to assume that the resumption of physical meetings or the introduction of hybrid meetings after 30 September should include some public gallery provision even if live streaming continues.

Equality/Socio-economic

- 4.10 Whilst there is no public gallery provision for meetings, some members of the public without access to IT equipment are disadvantaged by not being able to observe the proceedings, albeit that hard-copy Agendas and Minutes continue to be available on request. The reintroduction of a physical public gallery following relaxation of restrictions will address this.
- 4.11 At the same time, there may some equalities advantages associated with live-streaming meetings of the Council and committees in terms of offering easier/more extensive access to meetings than would be afforded by a small public gallery.

Environmental and Sustainability

- 4.12 Reintroducing a physical attendance element to meetings of the Council and its committees would have a small negative impact associated with travel to and from meetings.

Key Priorities

- 4.13 None arising from the recommendations set out in this report.

Community Wealth Building

- 4.14 None arising from the recommendations set out in this report.

5. Consultation

- 5.1 Some limited informal consultation has taken place with other Councils via the SOLAR Governance Working Group on the Knowledge Hub. It would appear that most Councils are not at an advanced stage.

Andrew Fraser
Head of Democratic
Services

For further information please contact Melanie Anderson, Senior Manager (Committee and Member Services), on melanieanderson@north-ayrshire.gov.uk

Background Papers

N/A

