AYRSHIRE AVJB VALUATION JOINT BOARD

Annual Accounts

for the year ended 31 March 2021

Ayrshire Valuation Joint Board

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Section 1: Membership of Ayrshire Valuation Joint Board

Ayrshire Valuation Joint Board (herein after referred to as "the Board") is comprised of Elected Members from its three constituent local authorities. The serving Members of the Board during financial year 2020/21 were as follows:

East Ayrshire Council	North Ayrshire Council	South Ayrshire Council
Councillor Gordon Jenkins	Councillor John Easdale	Councillor Siobhian Brown *(resigned 25 June 2020)*
Councillor John McFadzean *(Chair)*	Councillor Margaret George	Councillor Andy Campbell
Councillor Maureen McKay	Councillor John Glover	Councillor Douglas Campbell *(appointed 27 May 2021; Vice-Chair)*
Councillor Jim McMahon	Councillor Jean McClung	Councillor Iain Campbell
Councillor Jacqui Todd	Councillor Donald Reid	Councillor Chris Cullen *(appointed 25 June 2020; resigned 27 May 2021)*
		Councillor Martin Dowey
		Councillor William Grant

On 25 June 2020, Councillor Siobhian Brown (then Vice-Chair) resigned from the Board and was replaced by Councillor Chris Cullen. At a meeting of the Board on 15 September 2020, Councillor Chris Cullen was appointed as Vice-Chair.

On 27 May 2021, Councillor Chris Cullen (then Vice-Chair) resigned from the Board and was replaced by Councillor Douglas Campbell. At a meeting of the Board on 1 June 2021, Councillor Douglas Campbell was appointed as Vice-Chair.

Chief Officials

Assessor & Electoral Registration Officer (ERO): Helen McPhee BSc FRICS

The following appointed office bearers of the Board are employed on a substantive basis by South Ayrshire Council:

Clerk: Wynne Carlaw LLB Dip LP NP (substantive post: Service Lead – Democratic Governance)

Treasurer: Tim Baulk BA CPFA (substantive post: Head of Finance and ICT)

Section 2: Management Commentary

The management commentary provides an overview of the key messages in relation to the objectives and strategy of the Board and its financial performance for the year ended 31 March 2021. It also provides an indication of the issues and risks that may impact upon the Board's finances in the future.

Welcome to Ayrshire Valuation Joint Board's Annual Accounts for the year ended 31 March 2021. These accounts provide stakeholders, including the public and other interested parties, with information about our administration, financial management, and performance in the financial year 2020/21.

Councillor John McFadzean, Chair, Ayrshire Valuation Joint Board

Aims and Objectives

Our aims and objectives are:

- Produce and maintain the Council Tax Valuation List
- Dispose of all Council Tax proposals/appeals
- Prepare and maintain the Register of Electors
- Hear appeals relating to the Electoral Register
- Produce and maintain the Valuation Roll
- Dispose of all appeals relating to the Valuation Roll within statutory timescales
- Corporate governance of the organisation

Highlights

Some of our key highlights include:

- Supporting youth employment
- Delivery of the key changes introduced by the Non-Domestic Rates (Scotland) Act 2020
- Working in Partnership with East, North and South Ayrshire Councils to deliver electoral and other services
- Continue the modernisation and transformation programme to develop digital technologies, new ways of working and interacting with service users
- Delivering improved services to customers and partners across all organisational functions
- Delivering new and improved governance

About the Board

The Board was established by the Valuation Joint Boards (Scotland) Order 1995 and came into existence on 1 April 1996. It provides a range of valuation and electoral registration services to and on behalf of East Ayrshire, North Ayrshire and South Ayrshire Councils (the constituent authorities), working in partnership with other Valuation Joint Boards and professional bodies throughout Scotland.

In order to carry out the valuation and registration functions, the Board is required by law to appoint an Assessor (who must be a Chartered Surveyor) to operate as an independent statutory official. The Assessor is also appointed by the three constituent local authorities to act as Electoral Registration Officer. In pursuit of these duties, the Assessor and Electoral Registration Officer is answerable to the Courts in terms of valuation and registration decisions.

At 31 March 2021, the Board employed 42 full-time equivalent staff (2020: 39 FTE).

Plans for 2021/22

As Board Members, we need to deliver change in how the organisation works and delivers services, especially in the light of recent challenging events including the Covid-19 pandemic. We now have the capability for our workforce to operate a blended model of home and office working. The importance of safety in the office environment is demonstrated by our investment in PPE and risk assessments can be performed in both the office and home environment. Like many other organisations, the need to move to a home-working environment so quickly was not ideal and the number of additional processes involved significantly impacted on workforce efficiency, resulting in a detrimental impact on our key performance indicators (refer to page 5), which is likely to continue until the new operating system is live. Other recent challenges include legislative changes affecting electoral registration and non-domestic rates, which will influence the decisions we make about how the Board operates in future.

Our **vision** is to provide a range of valuation and electoral services to the Board’s stakeholders in accordance with statute and at levels of excellence which exceed their expectations.

In order to achieve our vision we will continue to work with our partners and service users to improve the services we provide across all three core functions of the Board: electoral registration, council tax and non-domestic rates valuation services. Within our Corporate Plan we have set out a number of key principles and commitments that show how we propose to achieve this, while recognising the many challenges we face. These include major change within the realms of electoral registration and non-domestic rates, with the likelihood of a review of council tax at some point in the future. In the event that council tax remains in place following that review, a significant number of domestic property alterations will require to be surveyed prior to any revaluation process.

The Board, in partnership with the constituent authorities, took the decision in 2020/21 to increase requisitions in order to meet future pay awards and address the anticipated reduction in Government funding for Individual Electoral Registration (IER). However, given the projected financial position of the Board no additional increase was requested for 2021/22. The Scottish Government also recognised the financial challenges arising from the changes to non-domestic rates by providing, through the constituent authorities, additional funding to help support the Board’s work in this area. During the last 12 – 18 months, various recruitment campaigns to fill existing and new vacancies with qualified staff have been largely unsuccessful due to a shortage of qualified chartered surveyors. The Board responded to this by adopting a flexible approach to recruitment and have employed nine trainee valuers at different stages in their qualification journey. While this is undoubtedly a positive step, it brings additional challenges such as training staff remotely during lockdown. It is anticipated that the remaining vacancies will be filled before the end of financial year 2021/22.

The Assessor & ERO is working, through the Scottish Assessors’ Association and other forums, to modernise our ICT systems in order to deliver modernisation through technology. Improved outcomes at reduced costs can only be achieved through ICT development, partnership working and staff training and development. All of this will require the co-operation of the Board’s partners; in particular its three constituent local authorities.

The Board is actively involved in several partnerships, the most significant of which is staff membership of the Scottish Assessors' Association (SAA). The SAA is constituted to facilitate a consistent approach across Scotland in the administration of non-domestic rating valuation, council tax and electoral registration services and operates via a series of committees and working groups, which report to regular plenary sessions attended by representatives from all Assessors' offices. During 2020/21 the SAA was involved in collating consultation responses on a number of issues, including regulations to support the Non-Domestic Rates (Scotland) Act 2020 and electoral reform. This important work will continue in 2021/22.

The SAA meets regularly with the Scottish Government, to whom it acts as a consultative body and also liaises with the Valuation Office Agency in England and Wales, the Northern Ireland Land & Property Services Agency and the Republic of Ireland Valuation Office in matters of common interest.

All of this work represents a real commitment to making the changes necessary to deliver our vision.

Senior Officers

Assessor and Electoral Registration Officer (ERO): Helen McPhee

Helen is responsible for ensuring that the statutory duties imposed on the Board in respect of valuation and electoral registration are fully and competently discharged, including maintenance of the Valuation Roll and Council Tax Valuation List and Register of Electors.

She is tasked with providing leadership, vision and direction and encouraging a positive organisational culture which delivers continuous improvements in performance.

Head of Valuation Services and Assistant ERO: John McConville

John is responsible for supporting the delivery of effective services by developing and implementing strategic policies, providing expert advice and guidance on operational issues and strategically managing performance in accordance with service objectives.

John deputises for the Assessor in terms of Section 27 of the Local Government Etc. (Scotland) Act 1994 and Section 84 of the Local Government Finance Act 1992.

Principal Administrative and IT Officer: Harry McCormick

Harry is responsible for supporting the delivery of effective services by developing and implementing strategic policies, providing expert advice and guidance on operational issues, and strategically managing performance in accordance with strategic and service objectives.

Harry is responsible for the provision of comprehensive ICT support and development for all Board functions.

Harry also deputises for the ERO in terms of Section 8 of the Representation of the People Act 1983.

297,225
Electors

15,626
Valuation Roll entries
£310,851,971
Rateable Value

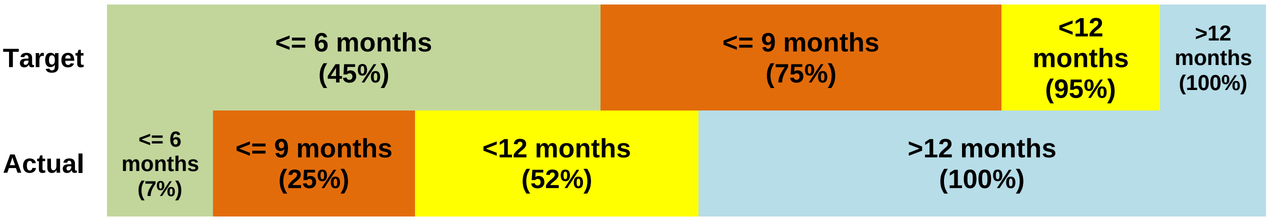
183,407
Council Tax Subjects

Review of performance

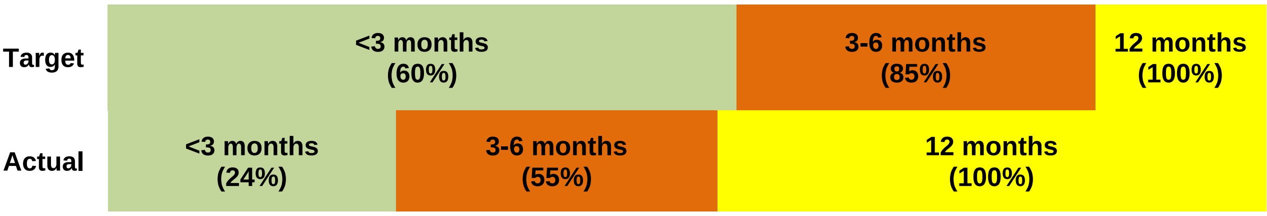
The Board's performance against its Corporate Plan and key performance indicator (KPI) targets is regularly monitored and reported. During 2020/21, the following key performance measurements were recorded:

Council Tax: new entries (2019/20 actual: 91%; 98%; 100%)

Council Tax: point of sale (2019/20 actual: 59%; 94%; 100%)



Non-domestic rates: new entries and alterations (2019/20 actual: 64%; 82%; 100%)



Performance against KPI targets and previous year outcomes was hampered during 2020/21 due to the impact of lockdown and other Covid-19 restrictions. However, KPIs do not tell the full story of the Board's performance during the year. Other significant outcomes include:

Electoral Registration:
- In December 2020 there were 297,225 electors – an increase of 3,151 from November 2019.
- A signature refresh took place in January 2021; 5,015 forms were issued with a higher than normal return rate. Only 401 postal votes were cancelled.
- Ahead of the Scottish Parliament Election in May 2021, postal votes increased by over 50% - rising from 49,294 to 74,938.

Council Tax:
- 736 additions (2019/20: 1,391); 312 deletions (2019/20: 523).
- 192 proposals or appeals resolved (2019/20: 354) of which 120 were valid (2019/20: 218).

Non-domestic rates:
- 739 changes to the non-domestic valuation roll (2019/20: 904).
- Revaluation appeals and appropriate running roll appeals are being settled within the statutory timeframe.

More information on the Board's performance during 2020/21 can be found at:
http://www.ayrshire-vjb.gov.uk/ppr.html

Financial performance

Revenue

The Comprehensive Income and Expenditure Statement on page 16 summarises the total costs of providing services and the income available to fund those services. The Board set a net operating expenditure budget for 2020/21 of £2,759,736 (2019/20: £2,415,902) to be funded by requisitions from the three constituent local authorities. The budget was based on experience of expenditure and income levels during previous years and included a planned contribution from the Board's reserves of £168,707 (2019/20: £198,493). The budget was approved in March 2020, before the first Covid-19 lockdown and the consequent impacts that it and the pandemic in general had on both the Board's operations and wider society.

The Board returned a surplus of income over expenditure of £423,399 for 2020/21 (2019/20: surplus of £51,463) which, compared with the budgeted deficit of £168,707 resulted in a net underspend of £592,106 against budget (2019/20: net underspend of £249,956). The surplus excluded accounting adjustments related to pensions, short-term accumulating compensated absences and depreciation. The difference between the surplus and the *deficit on the provision of services* reported in the Comprehensive Income and Expenditure Statement is due to those accounting adjustments, which are analysed in the Expenditure and Funding Analysis statement at Note 1 to the core financial statements.

The main components of the net underspend were as follows:
- £413,000 for employee costs, due to the recruitment challenges encountered during the pandemic and the timing of temporary staff hired to assist with the Scottish Parliament Election (spend on which will continue into 2021/22;
- £126,000 for other operating costs comprising underspends arising from lockdown and Scottish Parliament Election costs (which will continue into 2021/22); and
- £55,000 for income, mainly due to Government grants received in excess of the budgeted expectation.

Although the underspend was significant, elements of it were attributable to funding streams received from Government (total grant income £350,000 of was received during the year). Approximately £217,000 of the underspend will be set aside to be spent in 2021/22 on specific projects that straddle both financial years.

Balance Sheet

The Board's Balance Sheet as at 31 March 2021 recorded net assets of £2,990,808 compared with £1,686,195 as at 31 March 2020, an increase of £1,304,613 during the year. This is largely due to two factors; firstly, an £864,000 increase in the value of the Board's pension asset as calculated by independent actuaries acting for Strathclyde Pension Fund. Pension fund obligations will be funded from future contributions from its membership and not from the Board's General Fund reserve. Secondly, a £404,163 increase in the Board's cash and cash equivalents position as a consequence of the significant underspend described above.

The Board's property in Wellington Square, Ayr was revalued upwards at 31 March 2019 in line with its policy of revaluations at five-yearly intervals. Capital expenditure was incurred during the year on the development of the Board's new operating system, which is expected to go live during 2021/22. This expenditure was funded from capital contributions received from the constituent authorities. The Board held an accumulated surplus of £956,329 as at 31 March 2021.

Pension fund

The disclosure requirements for pension benefits under IAS19 are detailed at Note 5. The appointed actuary assessed the Board's share of Strathclyde Pension Fund as a net asset of £1,430,000 as at 31 March 2021, compared with a net asset of £566,000 as at 31 March 2020. This movement was principally due to an increase in the expected return on the Fund's assets, coupled with a reduction in average future life expectancy. These factors were partly offset by increases in the expected rates of inflation and salary growth. The valuation is applicable only at the Balance Sheet date and fluctuates on a daily basis due to movement in the value of stocks and shares.

The independent actuary is of the view that current and projected future contributions from employees and employers will be sufficient to meet Strathclyde Pension Fund's future pension liabilities.

Service changes and future developments

Future developments are also anticipated in the following service areas:

Electoral registration

Further potential changes in electoral legislation will require to be implemented.

Valuation

The Non-Domestic Rates (Scotland) Act 2020 and associated Regulations – the Act is in force with a number of Regulations also enshrined in legislation. In addition, there are still a number of key changes that remain unknown and all the changes – both known and unknown – will have a significant impact on service delivery going forward.

Financial outlook

Most economic commentators continue to forecast that pressures on public finances will continue for the foreseeable future, with the financial impact of the Covid-19 pandemic still unknown but likely to be felt for years to come. The Treasurer and the Assessor & ERO will develop existing funding scenario models in order to prepare the Board for potential future financial pressures. The Board recognises the impact of this difficult financial climate on its constituent authorities and as a consequence continues to seek to generate efficiencies where possible. This, together with prudent management of resources during a period of strong operational performance, has allowed the Board for several years to either reduce or maintain annual requisition levels. Following a 5% increase in the core requisition for 2020/21, in March 2021 the Board yet again froze requisition levels for the 2021/22 budget. Additional Scottish Government funding, routed through the constituent authorities, will provide support for the changes required to non-domestic rates.

Key risks

The key risks facing the Board are set out in its Corporate Risk Register which is regularly reviewed and updated by senior officers, and presented to the Board. The register evolved during 2020/21 to focus on strategic risks with associated registers created for specific projects. The Corporate Risk Register and Business Continuity Plan have both been updated to cover pandemic arrangements and also the potential impact of Brexit.

The effects of the pandemic will be felt not only in financial terms but in other areas too, including supply chain impacts which are now addressed in the Risk Register. Operationally, in excess of 4,000 Material Change of Circumstance appeals have been submitted, all of which require to be disposed of within statutory deadlines. To do so and ensure that the Assessor & ERO discharges her statutory duties will require financial resources.

More information on the Board's key risks can be found at:
http://www.ayrshire-vjb.gov.uk/Strategic%20Risk%20Register.pdf

Conclusion

Operational performance was significantly impacted by the pandemic and this is likely to remain the case until such times as staff are able to safely make site visits. The workforce performed very well in difficult circumstances – not only in delivering the Board's services but also in supporting colleagues in the three constituent local authorities. The Board's financial position remains strong in spite of additional expenditure incurred in facilitating home-working and this will stand it in good stead ahead of further anticipated financial pressures. The Covid-19 pandemic has, as expected, had a significant impact on the Board in 2020/21 and its timescales to deliver efficiencies but work continues to improve performance both in the short and medium term.

We wish to acknowledge the significant efforts of all staff in contributing to the Board's operational performance, of budget managers and support staff whose financial stewardship contributed to the Board's financial position at 31 March 2021 and to everyone involved in the preparation of the Annual Accounts.

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Councillor Douglas Campbell **Vice-Chair**	**Helen McPhee BSc FRICS** **Assessor & ERO**	**Tim Baulk BA CPFA** **Treasurer**
21 September 2021	**21 September 2021**	**21 September 2021**

Section 3: Statement of Responsibilities

This statement sets out the respective responsibilities of the Board and the Treasurer for the Annual Accounts.

The Board's responsibilities

The Board is required to:

- make arrangements for the proper administration of its financial affairs, and to ensure that one of its officers has responsibility for the administration of those affairs. For the Board, that officer is the Head of Finance and ICT for South Ayrshire Council, designated as the Treasurer of the Board;
- 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, insofar as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

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Councillor Douglas Campbell
Vice-Chair

21 September 2021

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Board'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 Code of Practice).

In preparing these Annual Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Code of Practice (insofar as it is compatible with legislation).

The Treasurer has also:

- kept proper accounting records which were up-to-date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a "true and fair view" of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2021.

DocuSigned by:
Tim Baulk
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Tim Baulk BA CPFA
Treasurer

21 September 2021

Section 4: Governance Statement

This statement sets out the framework within which the Board has proper arrangements for the governance of the Board's affairs, thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and appropriate systems of internal financial control are in place.

Scope of Responsibility

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Board also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Board's elected members and senior officers are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Governance Framework

The Board approved a revised Governance and Performance Framework in September 2020, which contained minor alterations from the previous version. The systems and processes, and culture and values, by which the Board is directed and controlled have not changed. The Framework also describes the way the Board engages with and accounts to its stakeholders.

The Board has put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised below:

- Clearly defined Standing Orders, Scheme of Delegation, Financial Regulations and Tender Procedures;
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives;
- Regular public performance reporting;
- Policies to regulate employee related matters, including the Employee Code of Conduct and disciplinary procedures;
- Arrangements to manage risk, including the risk management strategy and Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Comprehensive policies and procedures for physical and information security; and
- An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines. The Board complies with the requirements of CIPFA's *Code of Practice on Managing the Risk of Fraud and Corruption*.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected. The system is based on a framework of management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. The system includes:

- Financial management supported by comprehensive Financial Regulations and codes;
- Comprehensive budgeting systems and detailed guidance for budget holders;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance; and
- The preparation of regular financial reports that compare actual net expenditure against forecasts.

With South Ayrshire Council (the Council) as lead authority, all financial transactions of the Board are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of the Council. This includes regular reviews by the Council's Internal Audit Programme Review Manager.

Review of Effectiveness

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of services. Due to the Board's size and relative lack of complexity, it does not operate a formal Audit and Governance Panel; with those functions instead performed by the Board itself. The Board operates in accordance with CIPFA's *Audit Committee Principles in Local Authorities in Scotland* and *Audit Committees: Practical Guidance for Local Authorities,* and takes appropriate action on recommendations made by both internal and external audit.

Following the formal introduction of a Governance and Performance Framework in May 2016 and its subsequent revision in September 2020, the effectiveness of the governance framework is reviewed annually by the Assessor & ERO and any changes are reported to the Board.

The Board's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process. The Council's Internal Audit Programme Review Manager provides an annual report to the Board and an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Internal Auditor's annual assurance statement concluded that a satisfactory level of assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems.

Statement on the Role of Chief Financial Officer

CIPFA published this statement in 2010 and under the Code, the Board is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer must:

- Lead and direct a finance function that is resourced to be fit for purpose; and
- Be professionally qualified and suitably experienced.

The Board complies with the requirements of the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government 2016*. It also complies with the requirements of the CIPFA *Financial Management Code 2019* while recognising that 2020/21 was a shadow year in terms of enforcement.

Continuous Improvement

Although no significant governance issues were identified during the year, areas for improvement will be identified as part of the planned annual review of corporate governance arrangements and their effectiveness and future actions will be taken as necessary to maintain and further enhance the Board's governance arrangements.

Assurance

In conclusion, it is our opinion that the introduction of the formal Governance and Performance arrangements and annual review process, together with the work on internal and external auditors provide sufficient evidence that the principles of good governance operated effectively and the Board complied with its governance arrangements in all material respects. Systems are in place to continually review and improve the governance and internal control environment. Future actions will be taken as necessary to maintain and further enhance the Board's governance arrangements.

The effectiveness of governance is dependent on the actions of officers of the Board and by the work of internal and external audit. It is the Board's view that the governance arrangements were effective during financial year 2020/21.

Councillor Douglas Campbell
Vice-Chair

21 September 2021

Helen McPhee BSc FRICS
Assessor & ERO

21 September 2021

Section 5: Remuneration Report

The remuneration report provides details of the Board's remuneration policy for senior Board members and senior employees.

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985 (as amended by the Local Authority (Scotland) Amendment Regulations 2011). These Regulations require various disclosures about the remuneration and pension benefits of senior Board members and senior employees.

All information contained within the tables in the remuneration report will be subject to audit by the Board's appointed external auditor, Deloitte LLP. All other sections of the remuneration report will be reviewed by Deloitte LLP to ensure that they are consistent with the Annual Accounts.

Arrangements for remuneration

The remuneration of Elected Members is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Elected Members for the purposes of remuneration arrangements and also set out the amounts an Elected Member may be paid for being Chair or Vice-Chair of a Joint Board (inclusive of any amount payable to them as a councillor or senior councillor).

The Chair and Vice-Chair of the Board are remunerated by the local authorities of which they are Elected Members. The Board has an arrangement with each constituent local authority to reimburse that local authority for the additional cost for that Elected Member arising from being Chair or Vice-Chair of the Board. The disclosures in this report are limited to only those amounts paid to the local authority by the Board and does not reflect the full value of the remuneration that may be paid to the Elected Member.

The remuneration of senior employees is set by reference to national arrangements. The Assessor & ERO is paid at spinal column point 42 on the Chief Officers' Pay Scale, as approved by the Board. Chief Officers receive business mileage and subsistence allowances in accordance with amounts either agreed nationally by the Scottish Joint National Committee (SJNC) or approved locally by the Board.

Remuneration

The term *remuneration* means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions, which are disclosed as part of the pension benefits disclosure.

Remuneration of Chair and Vice-Chair (subject to audit)

Name	**Position held**	**2020/21 £**	**2019/20 £**
Councillor John McFadzean	Chair	4,233	4,233
Councillor Siobhian Brown	Vice-Chair * *(until 25 June 2020)*	811	3,278
Councillor Chris Cullen	Vice-Chair * *(from 15 September 2020)*	1,890	-
		6,934	**7,511**

* Full year equivalent remuneration for the position of Vice-Chair for 2020/21 was £3,350.

Remuneration of senior employees (subject to audit)

Name	Position held	Salary, fees and allowances £	Taxable expenses £	2020/21 Total £	2019/20 Total £
Helen McPhee	Assessor & ERO	103,512	658	104,170	101,218
John McConville	Head of Valuation & Assistant ERO	73,545	539	74,084	71,987
Harry McCormick	Principal Admin. & IT Officer	58,971	-	58,971	56,409
		236,028	**1,197**	**237,225**	**229,614**

Remuneration of officers (subject to audit)

Neither the Clerk nor the Treasurer received any remuneration from the Board during the financial year. The number of officers who received remuneration (excluding pension contributions) in excess of £50,000 for the financial year was as follows:

Remuneration band	2020/21	2019/20
£50,000 - £54,999	1	-
£55,000 - £59,999	2	3
£70,000 - £74,999	1	1
£100,000 - £104,999	1	1

Pension benefits

The term *pension benefits* refers to in-year pension contributions made by the Board and the named person’s accrued pension benefits at the reporting date.

Pension benefits of Chair and Vice-Chair (subject to audit)

	In-year pension contributions			Accrued pension benefits	
Name, Position held	**2020/21 £**	**2019/20 £**	**Description**	**As at 31 March 2021 £**	**Difference from 31 March 2020 £**
Councillor John McFadzean	817	817	Pension	636	82
(Chair)			Lump Sum	-	-
Councillor Siobhian Brown	157	633	Pension	241	58
(Vice-Chair; *until 25 June 2020*)			Lump Sum	-	-
Councillor Chris Cullen	365	-	Pension	151	112
(Vice-Chair; *from 15 September 2020*)			Lump Sum	-	-
	1,339	**1,450**		**1,028**	**252**

Pension benefits of senior employees (subject to audit)

	In-year pension contributions			Accrued pension benefits	
Name, Position held	**2020/21 £**	**2019/20 £**	**Description**	**As at 31 March 2021 £**	**Difference from 31 March 2020 £**
Helen McPhee	17,247	15,979	Pension	45,243	3,238
(Assessor & ERO)			Lump Sum	67,062	1,954
John McConville	12,254	11,353	Pension	28,541	2,208
(Head of Valn. & Asst. ERO)			Lump Sum	39,998	1,165
Harry McCormick	9,497	8,799	Pension	26,766	1,847
(Principal Admin & IT Officer)			Lump Sum	44,920	1,308
	38,998	**36,131**		**252,530**	**11,720**

The value of in-year pension contributions fell due to the impact of the Board's participation in an approved ill health liability scheme on employer pension contributions (refer to Note 5).

Exit packages (subject to audit)

No exit packages were agreed or paid for financial years 2020/21 or 2019/20.

Trade Union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the Board to collate and publish the following information:

No employees (nil full-time equivalent) were relevant trade union officials during 2020/21 or 2019/20.

DocuSigned by:
Helen McPhee
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Councillor Douglas Campbell
Vice-Chair

21 September 2021

Helen McPhee BSc FRICS
Assessor & ERO

21 September 2021

Section 6: Core Financial Statements

I) Comprehensive Income and Expenditure Statement for the year ended 31 March 2021

This statement records the accounting cost for the financial year of providing the Board's services in accordance with generally accepted accounting principles.

	2020/21 £	2019/20 £
Employee costs	2,158,557	2,050,393
Property costs	62,804	92,555
Supplies and services costs	105,420	47,632
Transport costs	-	9,239
Administrative costs	287,247	239,997
Support service costs	130,000	130,000
Payments to third parties	46,170	33,379
Financing costs	17,821	40,912
Gross cost of services	**2,808,019**	**2,644,107**
Income *(Note 8)*	**(358,911)**	**(137,970)**
Net cost of services	**2,449,108**	**2,506,137**
Interest on revenue balances	(4,282)	(5,456)
Net interest on the net defined pension liability	(10,000)	19,000
Requisitions from constituent authorities	(2,565,439)	(2,218,409)
Recognised capital income	(50,000)	(70,000)
(Surplus)/deficit on the provision of services	**(180,613)**	**231,272**
Actuarial gain on pension fund assets and liabilities	(1,124,000)	(1,487,000)
Other comprehensive income	**(1,124,000)**	**(1,487,000)**
Total comprehensive income	**(1,304,613)**	**(1,255,728)**

II) Movement in Reserves Statement for the year ended 31 March 2021

This statement records the movement during the financial year in the various reserves held by the Board, analysed between Usable Reserves (i.e. those that can be applied to fund expenditure) and Unusable Reserves. The *deficit on the provision of services* shows the true economic cost of providing the Board's services, which is fully analysed in the Comprehensive Income and Expenditure Statement. This cost excludes other statutory charges to the General Fund balance.

	Capital Grants Unapplied £	General Fund Balance £	**Total Usable Reserves £**	**Unusable Reserves (Note 14) £**	**Total Reserves £**
Balance as at 1 April 2020	**51,252**	**532,930**	**584,182**	**1,102,013**	**1,686,195**
Movement in Reserves 2020/21:					
Surplus on provision of services	-	180,613	**180,613**	-	**180,613**
Other comprehensive income and (expenditure)	-	-	**-**	1,124,000	**1,124,000**
Total comprehensive income and (expenditure)	**-**	**180,613**	**180,613**	**1,124,000**	**1,304,613**
Adjustments between accounting basis and funding basis *(Note 1)*	(51,252)	242,786	**191,534**	(191,534)	**-**
Net (decrease)/increase before transfers (from)/to other statutory reserves	(51,252)	423,399	**372,147**	932,466	**1,304,613**
Transfers to/(from) other statutory reserves	-	-	**-**	-	**-**
(Decrease)/increase in 2020/21	**(51,252)**	**423,399**	**372,147**	**932,466**	**1,304,613**
Balance as at 31 March 2021	**-**	**956,329**	**956,329**	**2,034,479**	**2,990,808**

	Capital Grants Unapplied £	General Fund Balance £	**Total Usable Reserves £**	**Unusable Reserves (Note 14) £**	**Total Reserves £**
Balance as at 1 April 2019	**24,697**	**481,467**	**506,164**	**(75,697)**	**430,467**
Movement in Reserves 2019/20:					
Deficit on the provision of services	-	(231,272)	**(231,272)**	-	**(231,272)**
Other comprehensive income and (expenditure)	-	-	**-**	1,487,000	**1,487,000**
Total comprehensive (expenditure) and income	**-**	**(231,272)**	**(231,272)**	**1,487,000**	**1,255,728**
Adjustments between accounting basis and funding basis *(Note 1)*	26,555	282,735	**309,290**	(309,290)	**-**
Net increase/(decrease) before transfers to/(from) other statutory reserves	26,555	51,463	**78,018**	1,177,710	**1,255,728**
Transfers to/(from) other statutory reserves	-	-	**-**	-	**-**
Increase/(decrease) in 2019/20	**26,555**	**51,463**	**78,018**	**1,177,710**	**1,255,728**
Balance as at 31 March 2020	**51,252**	**532,930**	**584,182**	**1,102,013**	**1,686,195**

III) Balance Sheet as at 31 March 2021

This statement records the assets and liabilities of the Board at the reporting date and the means by which they were financed. It records the Board's financial position at a particular point in time, a snapshot of its financial affairs at the end of the financial year.

	31 March 2021 £	31 March 2020 £
Long-term assets:		
Property, plant and equipment *(Note 9)*	639,893	552,532
Net pension asset *(Note 5)*	1,430,000	566,000
Net long-term assets	**2,069,893**	**1,118,532**
Current assets:		
Cash and cash equivalents *(Note 10)*	1,099,635	695,472
Short-term debtors *(Note 11)*	10,623	11,191
Total current assets	**1,110,258**	**706,663**
Current liabilities:		
Short-term creditors *(Note 12)*	(189,343)	(139,000)
Net current assets	**920,915**	**567,663**
Net assets	**2,990,808**	**1,686,195**
Represented by:		
Unusable Reserves *(Note 14)*:		
Capital adjustment account	536,492	446,385
Revaluation reserve	103,401	106,148
Pension reserve	1,430,000	566,000
Employee statutory adjustment account	(35,414)	(16,520)
Usable Reserves *(Note 14)*:		
Capital grants unapplied account	-	51,252
General Fund reserve	956,329	532,930
Total reserves	**2,990,808**	**1,686,195**

The unaudited Annual Accounts were issued on 1 June 2021. The audited Annual Accounts were approved by the Board and authorised for issue on 21 September 2021.

DocuSigned by:
Tim Baulk
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Tim Baulk BA CPFA
Treasurer

21 September 2021

IV) Cash Flow Statement for the year ended 31 March 2021

This statement records the movement in cash and cash equivalents of the Board during the year. The statement shows how the Board generated and used cash and cash equivalents by classifying them as either operating, investing or financing activities:

- The level of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board were funded by way of income from service users and constituent authorities.
- Investing activities represent the extent to which cash outflows were made for resources which are intended to contribute to the Board's future service delivery.
- There were no financing activities as the Board had no requirement to borrow.

	2020/21 £	2019/20 £
(Surplus)/deficit on the provision of services	**(180,613)**	**231,272**
Adjustments to deficit on the provision of services for non-cash movements:		
Depreciation and impairment of property, plant and equipment	(17,820)	(40,912)
Increase in creditors	(31,449)	(32,598)
(Decrease)/increase in debtors	(568)	30
Movement in pension liability	(260,000)	(311,000)
Other non-cash items	(18,894)	(823)
Net cash flows used in operating activities	**(509,344)**	**(154,031)**
Investing activities *(Note 9)*	105,181	43,445
Net (increase) in cash and cash equivalents *(Note 10)*	**(404,163)**	**(110,586)**
Cash and cash equivalents as at 1 April	(695,472)	(584,886)
Cash and cash equivalents as at 31 March	**1,099,635**	**695,472**

Section 7: Notes to the Core Financial Statements

Note 1: Expenditure and Funding Analysis

This note records how annual expenditure is used and funded from resources (e.g. requisitions, government grants and other income) by the Board in comparison with those resources consumed or earned by the Board in accordance with generally accepted accounting principles.

	Net Expenditure charged to General Fund £	Adjustments between Funding and Accounting Bases £	Net Expenditure in Comp. Income and Expenditure Statement £
2020/21:			
Employee costs	1,869,663	288,894	2,158,557
Property costs	62,804	-	62,804
Supplies and services costs	105,420	-	105,420
Transport costs	-	-	-
Administrative costs	287,247	-	287,247
Support service costs	130,000	-	130,000
Payments to third parties	46,170	-	46,170
Financing costs	3,929	13,892	17,821
Income	(358,911)	-	(358,911)
Net cost of services	**2,146,322**	**302,786**	**2,449,108**
Other income	(2,569,721)	(60,000)	(2,629,721)
	(423,399)	**242,786**	**(180,613)**
Opening General Fund balance	532,930		
Surplus on General Fund balance in year	423,399		
Closing General Fund balance as at 31 March 2021	**956,329**		

	Net Expenditure charged to General Fund £	Adjustments between Funding and Accounting Bases £	Net Expend. in Comp. Income and Expenditure Statement £
2019/20:			
Employee costs	1,757,570	292,823	2,050,393
Property costs	92,555	-	92,555
Supplies and services costs	47,632	-	47,632
Transport costs	9,239	-	9,239
Administrative costs	239,997	-	239,997
Support service costs	130,000	-	130,000
Payments to third parties	33,379	-	33,379
Financing costs	-	40,912	40,912
Income	(137,970)	-	(137,970)
Net cost of services	**2,172,402**	**333,735**	**2,506,137**
Other income	(2,223,865)	(51,000)	(2,274,865)
	(51,463)	**282,735**	**231,272**
Opening General Fund balance	481,467		
Surplus on General Fund balance in year	51,463		
Closing General Fund balance as at 31 March 2020	**532,930**		

Reconciliation of main adjustments to Net Expenditure charged to General Fund

The following table analyses the difference between income and expenditure included in the Comprehensive Income and Expenditure Statement in accordance with the Code and those amounts that are required by statute and non-statutory accounting practice to be transferred to/from the General Fund:

	Adjustments for capital purposes £	Net changes for pension adjustments £	Other differences £	Total adjustments £
2020/21:				
Employee costs	-	270,000	18,894	288,894
Financing costs	13,892	-	-	13,892
Net cost of services	**13,892**	**270,000**	**18,894**	**302,786**
Recognised capital income	(50,000)	-	-	(50,000)
Interest payable	-	(10,000)	-	(10,000)
Difference between General Fund and Comprehensive Income and Expenditure Statement	**(36,108)**	**260,000**	**18,894**	**242,786**

	Adjustments for capital purposes £	Net changes for pension adjustments £	Other differences £	Total adjustments £
2019/20:				
Employee costs	-	292,000	823	292,823
Financing costs	40,912	-	-	40,912
Net cost of services	**40,912**	**292,000**	**823**	**333,735**
Recognised capital income	(70,000)	-	-	(70,000)
Interest receivable	-	19,000	-	19,000
Difference between General Fund and Comprehensive Income and Expenditure Statement	**(29,088)**	**311,000**	**823**	**282,735**

Expenditure and income analysed by nature

	2020/21 £	2019/20 £
Expenditure:		
Employee benefit expenses	2,148,557	2,069,393
Other service expenses	631,641	552,802
Depreciation and impairment	17,821	40,912
Total expenditure	**2,798,019**	**2,663,107**
Income:		
Fees, charges and other service income	(8,948)	(13,529)
Interest income	(4,282)	(5,456)
Requisitions from constituent authorities	(2,615,439)	(2,288,409)
Government grants	(349,963)	(124,441)
Total income	**(2,978,632)**	**(2,431,835)**
(Surplus)/deficit on the provision of services	**(180,613)**	**231,272**

Note 2: Prior period adjustments

There were no prior period adjustments arising from either a change in accounting policy or a material error, in accordance with the accounting policies described in Note 17.

Note 3: Assumptions about the future and other major sources of estimation uncertainty

The Annual Accounts contain estimated figures based on assumptions made by the Board about the future or that are otherwise uncertain. Estimates were 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 on the Board's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- **Pensions liability**

  Uncertainties: Estimation of the net pension asset or liability depends on a number of complex judgements relating to the discount rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied.

  Effect if results differ from assumptions: The effect on the net pension asset or liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate would result in a 9% (£1.997m) increase in the value of the pension asset.

- **Property, plant and equipment: depreciation**

  Uncertainties: Assets are depreciated over useful economic lives that are dependent upon assumptions about the level of repairs and maintenance incurred in relation to those assets. The current economic climate may create uncertainty around the valuations of assets and their existing useful economic lives.

  Effect if results differ from assumptions: If the useful lives of assets is reduced, the depreciation charge will increase and the carrying value of the asset will reduce. The effect of a reduction by one year in the useful economic lives of all of the Board's assets would be to increase the depreciation charge and reduce the carrying value of assets by £0.001m.

- **Property, plant and equipment: valuation**

  Uncertainties: The Covid-19 pandemic continues to impact global financial markets and as a consequence, at the valuation date less weight can be attached to previous market evidence for comparison purposes in order to inform opinions of value for property, plant and equipment. Businesses and economic activity have been significantly disrupted and the uncertainty created has increased the estimation uncertainty over the fair value of the Board's land and building portfolio at the Balance Sheet date. There remains a high degree of uncertainty in much of the property market but so far the Board is not aware of a pattern of market evidence to suggest there has been any significant change in property values in South Ayrshire. We will continue to monitor the situation for a pattern of evidence that indicates values have changed as a consequence of the Covid-19 pandemic.

  The Board's property is revalued every five years. In May 2021, RICS amended its advice on valuation uncertainty and now recommends that material valuation uncertainty declarations are no longer required for all assets. However, less certainty and a higher degree of caution should continue to be attached to the valuation than would normally be the case.

  Effect if results differ from assumptions: Given the potential future impact that the Covid-19 pandemic may yet have on the property market, the valuation of the Board's property will be kept under review. The valuation report has been used to inform the measurement of assets in the Annual Accounts. The valuer has continued to exercise professional judgement in preparing the valuation and is therefore the best information available to the Board as at 31 March 2021 and can be relied upon.

  It is not currently possible to predict developments in the realm of property valuation over the next 12 months and there may be a future requirement to revalue the Board's property as the impact of the changing economic climate and its effects on property values become clear.

Note 4: Events after the Balance Sheet date

The Annual Accounts were approved by the Board and authorised for issue on 21 September 2021. Where events which took place before this date, including those described below, provided information about conditions that existed at 31 March 2021, the Annual Accounts have been adjusted in all material respects to reflect the impact of this information. Events which took place after this date have not been reflected in the Annual Accounts.

Membership of Ayrshire Valuation Joint Board

On 27 May 2021, Councillor Chris Cullen resigned from the Board and was replaced by Councillor Douglas Campbell. At a meeting of the Board on 1 June 2021, Councillor Douglas Campbell was subsequently appointed as Vice-Chair.

Note 5: Pension contributions

The Board subscribes to Strathclyde Pension Fund (the Fund), a funded defined benefit scheme administered by Glasgow City Council on behalf of all local authorities and admitted bodies in the former Strathclyde area. The Fund is a multi-employer scheme in which it is possible for an employer to identify its share of the Fund's assets and liabilities on a consistent and reasonable basis. Employers' liabilities can be evaluated directly by the appointed actuary at any time based on membership data. Individual employers' assets have been apportioned to each employer since 2002, prior to which each employer was considered to have the same funding as the whole Fund.

The scheme is supported by contributions from both employer and employees. The Board's contribution to the Fund is expressed as a percentage of employee contributions and for 2020/21 was initially maintained at the previous year rate of 19.3%. However, that rate was subsequently reduced in order to offset the Board's contribution to an approved ill health liability insurance scheme, which for 2020/21 resulted in a reduced rate of 15.89% until 31 May 2020 and 16.77% thereafter (2019/20: 15.89%). During 2020/21 the Board made employer contributions of £230,000 (2019/20: £202,000). In accordance with IAS19, this contribution met the Board's obligation in this regard for the year ended 31 March 2021.

The employer's contribution rate is determined by the Fund's actuary, based on a triennial actuarial valuation which determines whether employers are contributing sufficiently to maintain the Fund's solvency. A valuation was carried out at 31 March 2020. The employer's contribution for 2021/22 will remain at 19.3% with the Board continuing to pay a reduced rate of 16.77%, to reflect its contributions to the ill health liability scheme. Expenditure of £9,724 (2019/20: £11,049) was charged to the Comprehensive Income and Expenditure Statement in respect of added years for former employees of Strathclyde Regional Council and the Board.

McCloud

An allowance for the material impact of the McCloud judgement was made by the Fund's actuary as at 31 March 2020, which was reflected in the Board's 2019/20 Annual Accounts. The impact of this allowance has automatically flowed through to the actuarial funding valuation position as at 31 March 2021. However, no explicit additional adjustment has been added to the current service cost for 2020/21.

Goodwin

The Fund's actuary advises that while uncertainty remains regarding the potential remedy to the Goodwin judgement, following analysis performed by the actuary across all Local Government Pension Scheme clients it considers the potential impact to be very small. Accordingly, no additional adjustment has been applied in this regard.

Principal risks

The principal risks to the Fund are: longevity assumptions, statutory changes to the Fund, changes in inflation, bond yields and the performance of investments held by the Fund. These are mitigated to an extent by the statutory requirement to charge the General Reserve with the amount due by statute as described in Note 17 section 4.

Transactions relating to post-employment benefits

The cost of retirement benefit is recognised in the reported cost of services when it is earned by the Board's employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made against the requisition funding is based on the pension contributions payable by the Board in the year, and an adjustment is made in the Movement in Reserves Statement to this effect.

The following transactions were recorded in the Annual Accounts in 2020/21:

	2020/21 £	2019/20 £
Comprehensive Income and Expenditure Statement:		
Net cost of services:		
Current service cost	500,000	562,000
Past service cost	-	(68,000)
Financing and investment income and expenditure:		
Net interest (income)/expense	(10,000)	19,000
Total post-employment benefit charged to the (surplus)/ deficit on provision of services	**490,000**	**513,000**
Other post-employment benefits charged to CIES:		
Re-measurement of net defined benefit (asset)/liability:		
Return on plan assets	(4,596,000)	1,409,000
Actuarial gain arising from change in demographic assumptions	(493,000)	(772,000)
Actuarial loss/(gain) arising from change in financial assumptions	4,093,000	(2,032,000)
Other experience	(128,000)	(92,000)
Total post-employment benefit credited	**(634,000)**	**(974,000)**
Movement in Reserves Statement:		
Reversal of net charge made to the (surplus)/deficit on provision of services for post-employment benefits	**260,000**	**311,000**
Amount charged to the General Fund for pensions:		
Employer's contribution payable	**230,000**	**202,000**

Pension assets and liabilities recognised on the Balance Sheet

The amount included on the Balance Sheet arising from the Board's obligation in respect of its defined benefit scheme was as follows:

	31 March 2021 £	31 March 2020 £
Present value of the defined obligation: funded	(22,885,000)	(19,571,000)
Present value of the defined obligation: unfunded	(128,000)	(115,000)
Fair value of pension fund assets	24,443,000	20,252,000
Net asset arising from defined benefit obligations	**1,430,000**	**566,000**

A reconciliation of the Board's share of the present value of the Fund's defined benefit obligation is as follows:

	2020/21 £	2019/20 £
Opening balance at 1 April	**19,686,000**	**21,896,000**
Current service cost	500,000	562,000
Past service cost	-	(68,000)
Interest cost	454,000	528,000
Contributions by scheme participants	96,000	88,000
Re-measurement (gains)/losses:		
Actuarial gain arising from change in demographic assumptions	(493,000)	(772,000)
Actuarial loss/(gain) arising from change in financial assumptions	4,093,000	(2,032,000)
Other gains	(837,000)	(92,000)
Benefits paid	(481,000)	(419,000)
Unfunded benefits paid	(5,000)	(5,000)
Closing balance at 31 March	**23,013,000**	**19,686,000**

A reconciliation of the movement in the Board's share of the fair value of the Fund's assets is as follows:

	2020/21 £	2019/20 £
Opening fair value of scheme assets	**20,252,000**	**21,286,000**
Interest income	464,000	509,000
Re-measurement gains/(losses):		
Return on plan assets	4,596,000	(1,409,000)
Contributions from employers	230,000	202,000
Contributions from employees in the scheme	96,000	88,000
Other losses	(709,000)	-
Benefits paid	(486,000)	(424,000)
Closing fair value of the scheme assets	**24,443,000**	**20,252,000**

Analysis of Pension Fund assets

The asset values below are at bid value as required under IAS19:

	31 March 2021			31 March 2020		
Asset Category	**Quoted Prices in Active Markets £**	**Prices not quoted in Active Markets £**	**Total £**	**Quoted Prices in Active Markets £**	**Prices not quoted in Active Markets £**	**Total £**
Cash and cash equivalents	**393,800**	**16,600**	**410,400**	**1,042,600**	**1,004,800**	**2,047,400**
Equity securities:						
Consumer	1,407,500	-	1,407,500	1,296,900	3,700	1,300,600
Manufacturing	1,382,800	11,500	1,394,300	1,050,800	3,200	1,054,000
Energy and Utilities	251,100	4,200	255,300	270,700	-	270,700
Financial Institutions	865,200	-	865,200	873,100	-	873,100
Health and Care	671,300	10,600	681,900	512,800	5,200	518,000
Information Technology	1,131,000	-	1,131,000	667,400	200	667,600
Sub-total equity securities	**5,708,900**	**26,300**	**5,735,200**	**4,671,700**	**12,300**	**4,684,000**
Debt securities:						
Corporate Bonds (investment grade)	**-**	**-**	**-**	**635,400**	**-**	**635,400**
Private Equity	**-**	**4,371,900**	**4,371,900**	**-**	**2,419,900**	**2,419,900**
Real Estate (UK Property)	**-**	**1,980,400**	**1,980,400**	**-**	**1,833,600**	**1,833,600**
Invest. funds/unit trusts:						
Equities	230,000	8,319,000	8,549,000	5,751,700	498,600	6,250,300
Bonds	-	3,305,800	3,305,800	885,700	1,459,100	2,344,800
Commodities	-	10,300	10,300	10,200	-	10,200
Infrastructure	-	24,700	24,700	-	-	-
Other	-	50,900	50,900	-	26,000	26,000
Sub-total investment funds and unit trusts	**230,000**	**11,710,700**	**11,940,700**	**6,647,600**	**1,983,700**	**8,631,300**
Derivatives:						
Other	**4,400**	**-**	**4,400**	**400**	**-**	**400**
Totals	**6,337,100**	**18,105,900**	**24,443,000**	**12,997,700**	**7,254,300**	**20,252,000**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pension that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Fund's liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2020. The significant assumptions used by the actuary were:

	2020/21 Years	**2019/20 Years**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Male	19.8	20.7
Female	22.6	22.9
Longevity at 65 for future pensioners:		
Male	21.2	22.2
Female	24.7	24.6

Financial assumptions:	2020/21 %	2019/20 %
Rate of inflation/pension increase rate (CPI)	2.85%	1.90%
Rate of increase in salaries	3.55%	3.00%
Rate for discounting scheme liabilities	2.00%	2.30%

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

	Approximate % increase to employer's liability	Approximate monetary amount £
Change in assumption as at 31 March 2021:		
0.5% decrease in real discount rate	9%	1,997,000
0.5% increase in the salary increase rate	1%	236,000
0.5% increase in the pension increase rate (CPI)	7%	1,715,000
One year increase in member life expectancy	3% - 5%	600,000 – 1,200,000

Asset and liability matching strategy

The Fund has an asset and liability matching (ALM) strategy that matches, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. The Fund has matched assets to the pension obligations by investing in long-term fixed interest securities and index-linked gilt-edged investments with maturities that match the benefits payments as they fall due. A large proportion of the assets relate to equities (76%; 2019/20: 66%) and bonds (14%; 2019/20: 15%). The scheme also invests in properties (8%; 2019/20: 9%) and cash (2%; 2019/20: 10%). The strategy is monitored annually or more frequently if necessary.

Impact on the Board'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. Employers' contributions have been set at 19.3% of employees' rates for 2021/22 (reduced by the Board's ill health liability insurance contributions to 16.77% as explained above) based on the last triennial valuation completed on 31 March 2020.

The total contribution expected to be made by the Board to the Fund for the year ending 31 March 2022 is approximately £259,000.

The duration of the defined benefit obligation (funded) for Fund members is 18 years.

Note 6: Related party transactions

The Board is required to disclose material transactions with related parties – bodies or individuals who have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions facilitates users to assess the extent to which the Board may have been constrained in its ability to operate independently, or may have secured the ability to limit another party's ability to bargain freely with the Board. The Board's related parties include:

Scottish Government: has significant control over the general operations of the Board as it is responsible for providing the statutory framework within which the Board operates and is the source of the majority of the Board's funding in the form of requisitions from the constituent authorities.

UK Government: provides grant funding for Individual Electoral Registration (IER) – refer to Note 8.

Constituent authorities: East, North and South Ayrshire Councils have significant influence over the general operations of the Board as they provide the majority of the Board's funding in the form of revenue and capital requisitions – refer to table below.

Members of the Board: have direct control over the Board's operating and financial policies. Total Members' allowances paid during 2020/21 are shown in the Remuneration Report on page 13.

Chief Officials of the Board: have direct control over the management of the Board's operations and finances policies.

During the year transactions arose with the following related parties:

	2020/21	**2019/20**
	£	**£**
Contributions made:		
South Ayrshire Council	130,000	130,000
Contributions received:		
East Ayrshire Council	799,524	693,859
North Ayrshire Council	958,346	830,603
South Ayrshire Council	883,159	763,947

Note 7: External audit fee

The Board incurred the following fee payable to Audit Scotland for services carried out under The Code of Practice:

	2020/21	**2019/20**
	£	**£**
External audit fee	7,610	7,450

Note 8: Grant income

Income includes central government grants receivable and income from sales. The following central government grants were credited to the Comprehensive Income and Expenditure Statement during the year:

	2020/21	**2019/20**
	£	**£**
Scottish Parliament Election: postal voting	211,698	-
Scottish Parliament Election: notification letters	73,070	-
Scottish Parliament Election: extend franchise	6,988	-
Scottish Government: electoral management system	49,150	-
Individual Electoral Registration	9,057	124,441
Total grant income	**349,963**	**124,441**

Note 9: Property, plant and equipment

Land and buildings were valued as at 31 March 2019 by the Assessor & ERO on the basis of actual sales transactions of comparable properties. A revaluation is performed every five years, with the next valuation due in 2024.

	Land and Buildings £	Plant and Equipment £	Assets Under Construction £	Total £
2020/21:				
Gross book value as at 1 April 2020	550,000	314,313	-	864,313
Additions	-	-	105,181	105,181
Gross book value as at 31 March 2021	**550,000**	**314,313**	**105,181**	**969,494**
Accum depreciation as at 1 April 2020	(13,750)	(298,031)	-	(311,781)
Charge for the year	(13,750)	(4,070)	-	(17,820)
Accum depreciation at 31 March 2021	**(27,500)**	**(302,101)**	**-**	**(329,601)**
Net book value as at 31 March 2021	**522,500**	**12,212**	**105,181**	**639,893**
2019/20:				
Gross book value as at 1 April 2019	550,000	293,960	-	843,960
Additions	-	20,353	-	20,353
Gross book value as at 31 March 2020	**550,000**	**314,313**	**-**	**864,313**
Accum depreciation as at 1 April 2019	-	(293,960)	-	(293,960)
Charge for the year	(13,750)	(4,071)	-	(17,821)
Accum depreciation at 31 March 2020	**(13,750)**	**(298,031)**	**-**	**(311,781)**
Net book value as at 31 March 2020	**536,250**	**16,282**	**-**	**552,532**

Assets under construction refers to the ongoing development of the Board's new operating system, which is expected to become operational during 2021/22.

Covid-19: impact on property valuations

The Covid-19 pandemic continues to impact global financial markets and as a consequence, at the valuation date less weight can be attached to previous market evidence for comparison purposes to inform opinions of value for property, plant and equipment. The valuation methods used in relation to property, plant and equipment are provided in Accounting Policy 9 within Note 17: Significant accounting policies. Note 3: Assumptions about the future and other major sources of estimation uncertainty also provides information regarding the uncertainty surrounding property, plant and equipment valuations.

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Note 10: Cash and cash equivalents

	As at 1 April 2020 £	Movement In Year £	As at 31 March 2021 £
Invested in South Ayrshire Council Loans Fund	695,472	404,163	1,099,635

Note 11: Debtors

	2020/21 £	2019/20 £
Insurance prepaid	10,550	11,078
Telephone prepaid	73	113
Total debtors	**10,623**	**11,191**

Note 12: Creditors

	2020/21 £	2019/20 £
Payroll accrual	90,955	82,422
Barclay refund	25,590	-
Requisition overpayment	-	20,000
Annual leave accrual	35,414	16,520
Valuation Appeal Panel expenses	1,923	3,944
External audit fee accrual	5,073	4,967
Other goods and services received but not invoiced	30,388	11,147
Total creditors	**189,343**	**139,000**

Note 13: Financial instruments

Fair value of financial instruments

For all categories of financial assets and liabilities held by the Board, there was no difference between the carrying value and the fair value at the Balance Sheet date.

Nature and extent of risks arising from financial instruments

The Board's activities expose it to the following financial risks:

- **credit risk** – the risk that other parties fail to pay amounts due to the Board; and
- **liquidity risk** – the risk that the Board do not hold sufficient funds to meet its commitments to make payments.

Overall procedures for managing risk

The Board relies upon the risk management programme employed by South Ayrshire Council (the Council) in accordance with the terms of a service level agreement. Other than pension liabilities, trade creditors and accruals, the Board has no financial liabilities. All of the Board's short-term creditors are current.

Credit risk

Credit risk arises from deposits held by the Council on the Board's behalf and credit exposures to the Board's funding bodies and customers. The Board's maximum exposure to credit risk in relation to its cash deposits held by the Council cannot be assessed generally, as the risk of any third party institution with which the Council deposits these funds 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 institutions to be unable to meet their commitments. A risk of irrecoverability applies to the Board's deposits but there was no evidence at the Balance Sheet date that this was likely to crystallise.

The Board does not generally allow credit for funding bodies and customers, such that none of the outstanding debt at the Balance Sheet date was past its due date for payment.

Liquidity risk

The Board manages its liquidity position through effective budget monitoring and cash flow management processes.

Note 14: Reserves

Unusable Reserves	Capital Adjustment Account £	Revaluation Reserve £	Pension Reserve £	Employee Statutory Adjustment Account £	Total Unusable Reserves £
As at 31 March 2020	**446,385**	**106,148**	**566,000**	**(16,520)**	**1,102,013**
Depreciation and impairment	(17,821)	-	-	-	**(17,821)**
Capital expenditure	105,181	-	-	-	**105,181**
Transfers between reserves	2,747	(2,747)	-	-	**-**
Movement in Pension Reserve	-	-	864,000	-	**864,000**
Adjustment in respect of annual and flexi leave accrual	-	-	-	(18,894)	**(18,894)**
As at 31 March 2021	**536,492**	**103,401**	**1,430,000**	**(35,414)**	**2,034,479**

Usable Reserves	Capital Grants Unapplied Account £	General Fund Reserve £	Total Usable Reserves £
As at 31 March 2020	**51,252**	**532,930**	**584,182**
Capital income received	50,000	-	**50,000**
Capital receipts applied	(101,252)	-	**(101,252)**
Increase in 2020/21	-	423,399	**423,399**
As at 31 March 2021	**-**	**956,329**	**956,329**

Note 15: Notes to the Cash Flow Statement

	2020/21 £	2019/20 £
Operating activities:		
Net cash flows from operating activities includes:		
Interest received	(4,282)	(5,456)
Investing activities:		
Net cash flows used in investing activities includes:		
Property, plant and equipment and intangible assets	105,181	43,445

Note 16: Contingent liabilities

The Board is engaged in a number of ongoing valuation appeals, some of which date from 2010. Some of these appeals have been referred to the Lands Tribunal for Scotland and their outcomes may potentially impact on other Valuation Joint Boards and local authorities. The Board expects that it will incur legal costs as a consequence of these appeals; however neither the value nor the timing of these costs can be reliably estimated at this time. Accordingly, the Board recognises that a contingent liability may exist in respect of potential legal costs arising from these appeals.

Note 17: Significant accounting policies

1. General principles

The Annual Accounts summarise the Board's transactions for the 2020/21 financial year and its financial position as at 31 March 2021. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires such accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise *The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* (the Code) and are supported *by International Financial Reporting Standards* (IFRS).

The Code is issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and is designed to give a "true and fair view" of the financial performance of the Board. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets. The Annual Accounts have been prepared on a going concern basis.

2. Accruals of expenditure and income

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

- All known specific and material sums payable to the Board have been brought into account. 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 in 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 service is 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. Interest receivable is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Board; and

- 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 on the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Charges to revenue for non-current assets

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding non-current assets during the year:

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

4. Employee benefits

Benefits payable during employment

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Board. All salaries and wages earned during the year are included in the Annual Accounts irrespective of when payment was made. The Board has made provision for the costs of any potential employee related claims. 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.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or a decision by an officer to accept voluntary severance. These termination benefits are charged on an accruals basis as an expense in the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to a termination, when it has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or pensioner in the year, rather than the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-employment benefits

As part of the terms and conditions of employment of its employees, the Board offers retirement benefits. The Board participates in the Local Government Pension Scheme (LGPS), administered by Strathclyde Pension Fund. LGPS provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Board.

The Local Government Pension Scheme

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the Strathclyde Pension Fund attributable to the Board are included on 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 used by the appointed actuaries to place a value on the liability; and
- The assets of the Strathclyde Pension Fund attributable to the Board are included on the Balance Sheet at their fair value at current bid prices for quoted securities, estimated fair value for unquoted securities and market price for property.

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

Service cost, comprising:

- Current service cost: The increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked;
- Past service cost: The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to the Comprehensive Income and Expenditure Statement; and
- Net interest on the net defined benefit liability (asset), i.e. net interest expenses for the Board: The change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements, comprising:

- Return on plan assets: Excluding amounts included in the net interest on the net defined benefit liability (asset), charged to the Pension Reserve as other comprehensive income and expenditure;
- Actuarial gains and losses: Changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions, charged to the Pensions Reserve as other comprehensive income and expenditure; and
- Contributions paid to Strathclyde Pension Fund: Amounts paid as employer's contributions to the pension fund in settlements of liabilities; not accounted for as an expense.

In relation to retirement benefits, Scottish Government regulations require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated in accordance with relevant accounting standards. In the Movement in Reserves Statement, this requires appropriations to and from the Pensions Reserve to remove the notional charges and credits for retirement benefits and replace them with amounts paid to the pension fund and pensioners and amounts payable but unpaid at the year-end.

Discretionary benefits

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

The Board has no control over or access to the funds. Further information is disclosed in Note 5.

5. Events after the reporting period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- *Adjusting events*: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts are adjusted to reflect such events; and
- *Non-adjusting events*: Those that are indicative of conditions that arose after the reporting period and the Annual Accounts are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

6. 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 Board when there is reasonable assurance that:

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

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient, as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants and contributions) or Taxation and Non-specific Income (for capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are 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 held in the Capital Grants Unapplied Account. Where it has been applied, it is held in the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

7. Financial assets

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Board becomes a party to the contractual provisions of a financial instrument, and are initially measured at fair value but subsequently carried at their amortised cost. For the Board, annual credits to the “interest on revenue balances” line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of cash and cash equivalents held with South Ayrshire Council multiplied by the effect rate of interest.

8. Prior period adjustments, changes in accounting policies and estimation 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 policy 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 Board’s financial position or financial performance. Where 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 period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

9. 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.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Board and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Plant, furniture and computer equipment costing less than £6,000 are not treated as Property, Plant and Equipment and are charged to the Comprehensive Income and Expenditure Statement. This de minimis does not apply where certain categories of these assets are grouped together.

All capital expenditure is charged to the constituent authorities, meaning that the Board has no requirement to borrow.

Measurement

Assets are initially measured at cost, comprising:
- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried on the Balance Sheet at current value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where non-property assets have short useful lives or low values, depreciated historical cost basis is used as a proxy for current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:
- 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; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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.

Property valuations are carried out by Royal Institute of Chartered Surveyors (RICS) professional staff. The asset value used in the Annual Accounts for the year ended 31 March 2021 was consistent with the valuation made of the building by the Assessor & ERO as at 31 March 2019 and was based on actual sales transactions for similar properties, adjusted for any additional capital expenditure.

Impairment

Where indications exist that an asset may be impaired 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; and
- where there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals and non-current assets held for sale

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 taken to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal, i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. land), investment assets and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged on a straight-line basis over the useful life of the assets. Depreciation is charged in the year of acquisition but no depreciation is charged in the year of disposal. Assets are depreciated over their useful economic lives on the following bases:

- Buildings 40 years
- Heating plant 7 years
- Plant and equipment 5 years
- ICT equipment 5 years

The Board does not require to requisition the constituent authorities for depreciation charges. An adjustment is required between the General Fund balance and the Capital Adjustment Account to remove the depreciation charge.

10. 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 Comprehensive Income and Expenditure Statement in that year. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement in order that there is no net charge for the expenditure.

Reserves are classified under accounting regulations into two broad categories – **usable** which are available to support services and **unusable** which are unrealised and have a deferred impact on taxation.

Usable reserves

Capital reserve: This reserve holds capital receipts which have not yet been used to fund capital expenditure.

General Fund reserve: This reserve represents surplus funds held by the Board which are repayable to the constituent authorities.

Unusable reserves

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits that do not represent usable resources for the Board.

Two reserves arising from the system of capital accounting are the *Revaluation Reserve* and the *Capital Adjustment Account*. The former represents the store of gains on revaluation of fixed assets not yet realised through sales, while the latter relates to amounts set aside from capital resources to meet past expenditure.

The *Pension Reserve* arises from IAS19 accounting disclosures for retirement benefits and recognises the Board's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Board's share of the Pension Fund liability chargeable to the Comprehensive Income and Expenditure Statement.

The *Employee Statutory Adjustment Account* absorbs the difference that would otherwise arise on the General Fund balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March each year.

11. VAT

Income and expenditure generally excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue & Customs (HMRC) and all VAT paid is recoverable from it, through South Ayrshire Council.

12. Contributions from constituent authorities

The constituent authorities are required to fund core revenue and capital expenditure on the basis of a predetermined percentage:

• East Ayrshire Council	30.27%
• North Ayrshire Council	36.29%
• South Ayrshire Council	33.44%
	100.00%

Note 18: Accounting standards adopted and not adopted during 2020/21

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

a) **Standards, amendments and interpretations effective in the current year:** the Board has applied a number of amendments to IFRS standards and interpretations that are effective for annual periods that begin on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or amounts reported in these financial statements:

- amendments to references to the conceptual framework in IFRS standards;
- amendment to IFRS 9: applying IFRS 9 with IFRS 4;
- amendment to IFRS 3: definition of a business;
- amendments to IAS 1 and IAS 8: definition of material;
- amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: interest rate benchmark reform (phase 1); and
- annual improvements to IFRS standards 2015 – 2017 cycle.

b) **Standards, amendments and interpretations early adopted in the current year:** there are no new standards, amendments or interpretations early adopted in the current year.

c) **Standards, amendments and interpretations issued but not adopted in the current year:** at the date of issue of these financial statements, the Board has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

- *IFRS 16 Leases* (HM Treasury have agreed to defer implementation until 1 April 2022);
- *IFRS 17 Insurance Contracts* applicable for periods beginning on or after 1 January 2023;
- amendment to IAS 1: classification of liabilities as current or non-current (applicable for periods beginning on or after 1 January 2023);
- amendment to IAS 1: disclosure of accounting policies (applicable for periods beginning on or after 1 January 2023);
- amendment to IAS 8: definition of accounting estimates (applicable for periods beginning on or after 1 January 2023);
- amendments to IAS 16: property, plant and equipment proceeds before intended use (applicable for periods beginning on or after 1 January 2022);
- amendments to IAS 37: onerous contracts, cost of fulfilling a contract (applicable for periods beginning on or after 1 January 2022);
- amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: interest rate benchmark reform (phase 2) (applicable for periods beginning on or after 1 January 2021); and
- annual improvements to IFRS standards 2018 – 2020 cycle (applicable for periods beginning on or after 1 January 2022).

The Board does not expect that the adoption of the standards listed above will have a material impact on the financial statements in future periods, except as noted below.

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

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, the Board have elected to utilise the capitalisation threshold of £6,000 to determine the assets to be disclosed. The Board expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the Code for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Balance Sheet as (i) right of-use assets which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities which represent the obligation to make lease payments.

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

Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Board does not expect the implementation of this standard to have a material impact on the financial statements.

Note 19: Critical judgements in applying accounting policies

No critical judgements were required to be made by the Board in applying the accounting policies set out in Note 17.

Section 8: Independent Auditor's Report

Independent auditor's report to the Members of Ayrshire Valuation Joint Board and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Ayrshire Valuation Joint Board for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 5 years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Treasurer and Ayrshire Valuation Joint Board for the financial statements

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

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Ayrshire Valuation Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the Valuation Joint Boards (Scotland) Order 1995.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

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

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the recognition of income from the constituent Councils. The risk is that the Councils do not provide additional income to cover any overspends incurred. In response to this risk, we tested the income recognised to ensure that the correct contributions have been received in accordance with that agreed as part of the budget process.

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

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

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

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

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

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

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

21 September 2021

Section 9: Glossary of Terms

Although the terminology used herein is intended to be self-explanatory, it may be helpful to provide to users of the Annual Accounts the following definitions and interpretations of terms used:

Accounting period
The period of time covered by the Annual Accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

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

Actuarial gains and losses (pensions)
For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or changes in the actuarial assumptions themselves.

Asset
An item having value to the Board in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the Board and to the services it provides for a period of more than one year.

Audit of accounts
An independent examination of the Board’s financial affairs.

Balance sheet
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Capital expenditure
Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

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

CIPFA
The Chartered Institute of Public Finance and Accountancy.

Contingent asset/liability
A contingent asset/liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the Board’s control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Creditor
Amounts owed by the Board for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Current service cost (pension)
The increase in the present value of a defined benefit scheme’s liabilities, expected to arise from employee service in the current period.

Debtor
Amount owed to the Board for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined benefit pension scheme
Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciation
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Board's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Discretionary benefits (pensions)
Retirement awards which the employer has no legal, contractual or constructive obligation to make. These are awarded under the Board's discretionary powers.

Events after the Balance Sheet date
Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Fair value
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less, where applicable, any grants receivable towards the purchase of a useable asset.

Government grants
Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Board. These grants may be specific to a particular scheme or may support the revenue spend of the Board in general.

IAS
International Accounting Standards.

IFRIC
International Financial Reporting Interpretations Committee.

IFRS
International Financial Reporting Standards.

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

Intangible assets
An intangible (non-physical asset) item may be defined as an asset when access to the future economic benefits it represents is controlled by the Board. The Board has no intangible assets.

Interest cost (pensions)
For a defined benefit scheme, the expected increase during the period of the scheme liabilities as benefits are one period closer to settlement.

Inventories
Items of raw materials and stores the Board has procured and holds in expectation of future use.

Liability
A liability is where the Board owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

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

Past service cost (pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods as a result of the introduction of, or improvement to retirement benefits.

Pension scheme liabilities
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.

Post-employment benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment e.g. pensions in retirement.

Prior year adjustment
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Rateable value
The annual assumed rental of a hereditament, which is for national non-domestic rates purposes.

Related parties
Bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. For the Board's purposes, related parties are deemed to include Board Members, the Assessor & ERO, Senior Officers and their close family and household members.

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

Reserves
The accumulation of surpluses, deficits and appropriation over past years.

Revenue expenditure
The day-to-day expenses of providing services.

Useful economic life
The period over which the local authority will derive benefits from the use of a non-current asset.