

North Ayrshire Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of North Ayrshire Council and the Controller of Audit

November 2023

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Key messages

2022/23 Annual Accounts

- 1 An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the eight section 106 charities administered by the council. The accounts show a true and fair view of the council's financial position.

Best Value

- 2 The Council continues to demonstrate a strong culture of continuous improvement. It has robust arrangements in place to secure Best Value. It reports on how it is delivering improvements for communities and residents and has a clear understanding of where it needs to improve.
- 3 The council and its partners have a shared, long-term vision focused on addressing inequalities – A North Ayrshire that is fair for all. The council sets out four clear priorities that are aligned with the Community Planning Partnership's three key themes, in *Our Council Plan 2023-28*.
- 4 The council's new priorities were developed from sustained engagement with its communities. The council demonstrates genuine commitment to working with and empowering local communities.
- 5 The council has made good progress with the recommendations made in its 2020 Best Value Assurance Report. In particular, it has a new performance dashboard designed to provide a much more user friendly and accessible way for residents to access performance data.

Financial management and sustainability

- 6 The council reported a significant service underspend of £15.9 million against its 2022/23 budget. £2.8 million of that relates to reduced debt charges from the application of permitted Service Concession Arrangements (PPP/PFI) flexibilities.

- 7 There was a £22.439 million net increase in usable reserves. At 31 March 2023 balances total £135.680 million. £21.546 million of the increase is from the application of Service Concession Arrangements flexibilities.
- 8 The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.
- 9 The current Medium-Term Financial Plan shows significant funding gaps from 2024/25. The impact of the application of the service concession flexibility arrangements has partially mitigated medium-term financial challenges.
- 10 Good progress continues to be made in developing the council's Sustainable Change Programme, which is key to closing the funding gaps.

Vision, Leadership and Governance

- 11 The council has a clear vision that staff and community planning partners understand.
- 12 Leadership is effective and there is good collaborative working.
- 13 Scrutiny arrangements and the quality of councillors' scrutiny are effective.

Use of resources to improve outcomes

14. The council has acknowledged that the content of its performance pages needs to be refreshed and in particular, its Performance Dashboard needs to be updated.
- 15 The council plans to introduce a new approach to self-assessing its services.
16. The council's overall performance is improving and its rate of service improvement is faster than other councils.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of North Ayrshire Council (the council). The scope of the audit was set out in an annual audit plan presented to the 28 March 2023 meeting of the Audit and Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's Annual Accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the members of the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Fiona Mitchell-Knight (Audit Director), have been appointed by the Accounts Commission as auditor of North Ayrshire Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing Annual Accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit and Scrutiny Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £356,390 for the council and £1,100 for the registered charities administered by the council as set out in our 2022/23 Annual Audit Plan remain unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to the council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 Annual Accounts

Public bodies are required to prepare Annual Accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the eight section 106 charities administered by the council.

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

We identified a number of non-material errors relating to classification of capital expenditure and elimination of intra-group balances. These have been corrected in the audited Annual Accounts.

Audit opinions on the Annual Accounts of the council and its group are unmodified

12. The Annual Accounts for the council and its group for the year ended 31 March 2023 were approved by the Audit and Scrutiny committee on 14 November 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework.

- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

13. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

The unaudited Annual Accounts were received in line with the agreed audit timetable

14. The unaudited Annual Accounts were received in line with our agreed audit timetable on 29 June 2023. The Annual Accounts submitted for audit were of a good standard and supporting working papers were reasonable. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly. We were unable to meet the target of concluding the audit and signing the accounts by 30 September, due to continuing audit resource pressures during our recovery period from the Covid-19 pandemic.

Our audit testing reflected the calculated materiality levels

15. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

16. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited Annual Accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values for the council and its group

Materiality	Council	Group
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial	£16.3 million	£19.9 million

statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2023.

Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 70% of overall materiality.	£11.4 million	£13.9 million
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Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.25 million	£0.25 million
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Source: Audit Scotland

Identified misstatements of £6.1 million were adjusted for in the Annual Accounts

17. We identified misstatements with a gross value of £4.8 million in the unaudited Annual Accounts. We also identified misclassifications with a gross value of £10.4 million. These were adjusted in the audited accounts resulting in an increase of £0.3 million in both net assets and unusable reserves in the Balance Sheet. The significant issues are identified in Exhibit 2.

18. We considered the need to revise our audit procedures and approach. We reviewed the nature and causes of these misstatements, with the main issue being accounting misstatements in the Group accounts. Although these misstatements breached our performance materiality, we concluded that these arose from issues that have been isolated, identified and corrected in their entirety and do not indicate further systemic error.

19. Management have adjusted all identified misstatements above our reporting threshold and there are no unadjusted errors to report.

20. A further adjustment of £1.3 million relating to a 2021/22 Short Term Accumulated Absences (STACA) provision that had not been reversed in 2022/23, was identified by the council and has also been adjusted in the audited Annual Accounts.

Significant findings and key audit matters

- 21.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.
- 22.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.
- 23.** Our significant findings are detailed in [Exhibit 2](#) below.
- 24.** The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.
- 25.** In accordance with normal audit practice, several presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Exhibit 2

Significant findings and key audit matters from the audit of the Annual Accounts

Issue	Resolution
<p>1. Accounting for North Ayrshire Leisure Limited</p> <p>As part of our audit risk assessment, we reviewed the assessment of North Ayrshire Leisure Limited's (NALL) classification in the 2021/22 Annual Accounts as an associate based on voting rights and significance to the North Ayrshire Council Group. Based on our review, we considered that NALL should be fully consolidated into the Council's group accounts as it meets the definition of a "structured entity."</p>	<p>For information only. NALL has been fully consolidated as a subsidiary in the 2022/23 Annual Accounts.</p>
<p>2. Pension balance</p> <p>The pension balance represents the difference between expected future payments to pensioners</p>	<p>This is included for information due to the large year-on-year movement in the pension balance.</p>

Issue	Resolution
<p>and the underlying value of pension fund assets available to meet this liability.</p> <p>The council is a member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.</p> <p>The council's 2022/23 valuation showed a net pension asset of £332.804 million (2021/22: liability of £57.450 million). As required by accounting standards, the asset shown in the council's Balance Sheet has been limited to £29.324 million. The amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.</p>	<p>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

3. Group accounts

Our testing of intra-group balances identified a number of consolidation adjustments that had either not been made or been made incorrectly in the consolidated group accounts:

- an intra-group debtor of £0.3 million within the North Ayrshire Leisure Limited (NALL) accounts and a corresponding balance of £0.3 million in short-term borrowing within the council's accounts had not been eliminated from the consolidated account balances.
- Income of £4.2 million from the council to NALL and corresponding expenditure of £4.2 million in the council's accounts had not been eliminated in the consolidated accounts.
- Investment properties totalling £4.0 million within subsidiaries had been consolidated as property, plant and equipment.
- A short-term loan of £6.2 million within the North Ayrshire Venture Trust accounts had been

Management have corrected the misstatements in the audited Annual Accounts. There was no impact on the group net assets or comprehensive income and expenditure. However the council should review its group accounting process to ensure the completeness and accuracy of consolidation adjustments.

Recommendation 1
(See Appendix 1, action plan)

Issue	Resolution
<p>incorrectly eliminated from the creditors balance instead of short-term borrowing.</p> <p>- NALL cash flow figures totalling £0.2 million had not been accurately included in the consolidated cash flow statement.</p>	

Source: Audit Scotland

Other matters identified from our audit of the Annual Accounts

26. In addition to our findings in [Exhibit 2](#) above, the following adjustment was identified through our audit testing:

- Property, plant and equipment:** Our testing of a journal relating to the transfer of expenditure from a capital code to a revenue code identified an item with a value of £0.4 million which was capital expenditure and therefore should not have been transferred to a revenue code. An adjustment has been made to correct this error in the Annual Accounts, resulting in an increase in assets and a decrease in expenditure of £0.3 million (gross value less depreciation).

27. The council engaged an external valuer to value its heritage assets, valued at £1.0 million in the 2022/23 Annual Accounts. No formal letter of engagement was issued setting out the scope and objectives of the valuer's work. Although heritage assets is not a material area in the accounts, it is good practice to formally document the terms of engagement with the valuer.

Recommendation 2

The council should obtain a signed letter of engagement from the heritage assets valuer.

Our audit work responded to the risks of material misstatement we identified in the Annual Accounts

28. We have obtained audit assurances over the identified significant risks of material misstatement in the Annual Accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during

the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the Annual Accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p>Results: Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found arrangements in place were satisfactory.</p> <p>We assessed the design and implementation of controls over journal entry processing and found these to be satisfactory.</p> <p>Journal adjustments were tested, and no indication of management override of controls was found.</p> <p>We reviewed transactions during the year - no issues were identified with significant transactions outside the normal course of business. Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>Conclusion: No instances of management override of controls were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Significant estimation and judgment: other land and buildings, council dwellings and schools PPP valuations</p> <p>The council held other land and buildings, including its council dwellings and school PPP estate, with a net book value of more than £1,050 million as at 31 March 2022.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets.</p> <p>Risk: Valuations of these assets are materially misstated.</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Critically evaluate the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Test the reconciliation between the financial ledger and the asset register.</p> <p>Evaluate management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>Critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</p>	<p>Results: We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation team's work confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process. Paragraph 27 identifies an opportunity to strengthen the valuation process for Heritage assets.</p> <p>We concluded that management's assessment that land and buildings not revalued in 2022/23 are not materially misstated, was reasonable, and found assumptions made to be appropriate.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We found that appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluations.</p>

29. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **Pension balance:** This is considered at [Exhibit 2](#) and based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.
- **Service concession arrangements:** In February 2023, the council approved the adoption of the revised accounting arrangements under Local Government Finance Circular 10/2022 for the recalculation of debt repayments arising from the council’s service concession contracts aligned to the useful economic life of the assets under the contracts. The application of financial flexibility on this basis resulted in a retrospective adjustment and financial benefit to 31 March 2022 of £21.546 million, and reductions in the annual debt repayment charges over the period to 2037/38. We confirmed that the council has complied with the relevant statutory guidance in accounting for this in the 2022/23 Annual Accounts.

Correspondence referred to the auditor by Audit Scotland/Statutory objections to the accounts

30. We received an objection to the accounts covering issues related to the Largs Common Good Fund and Trust Funds. We met with the objector and considered the issues and evidence provided. We are satisfied that this did not identify any issues which had an impact on our opinion on the financial statements.

31. Through consideration of the objection, it has been identified that the council has not held an annual putting competition in Largs, to meet the requirements of the Isabella McPhee Memorial Fund. Based on the low numbers of entrants in a similar competition planned previously, there was not sufficient income available from the trust fund to meet the costs of organising the competition and awarding prizes. The council will consider any proposals from third parties to host a putting competition to which it could contribute prize money from the fund. The council confirmed that it had no such approaches during the year.

The council’s 2022/23 Management Commentary provides a fair and balanced picture of its performance and operational activity for the year

32. The council's Management Commentary that accompanies the Annual Accounts explains how the council has performed against its budget. The council has included a good level of disclosure on the principal risks it is facing going forward. This includes details on the challenging financial environment the council is operating within.

33. In our view, the 2022/23 disclosure represents a fair and balanced commentary on the council's performance in 2022/23 and is transparent on the risks it faces in the coming year.

The Annual Governance Statement provides an appropriate level of disclosure on the council's governance arrangements during 2022/23

34. The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA /SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The council's Annual Governance Statement complies with this guidance.

The audited part of the Remuneration Report was consistent with the Annual Accounts and has been prepared in accordance with applicable regulations

35. The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a Remuneration Report within its Annual Accounts that includes details of:

- the remuneration of relevant persons, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- information on pay bands and the number and cost of exit packages approved during the financial year.

36. We have no issues to report in relation to the information included within the Remuneration Report in the council's 2022/23 Annual Accounts.

Follow up of prior year recommendations

37. There was one improvement action raised in Deloitte's 2021/22 Annual Audit Report which relates to accounting for infrastructure assets. This is a national issue which is currently under discussion as part of the consultation process for the Code of Practice on Local Authority Accounting in the UK (accounting code) for 2024/25. Once further guidance emerges, we will work with the council to address this matter.

Our audit opinions on Section 106 charities were unmodified

38. Elected members of the council are trustees for eight registered Scottish charities:

- Anderson Park Trust – Charity number SC042136
- Douglas Sellers Trust – Charity number SC042101
- Margaret Archibald Bequest - Charity number SC042117
- North Ayrshire Council Trust – Charity number SC025083
- Dalry Trust – Charity number SC043644
- Kilbirnie & Glengarnock Trust – Charity number SC043600
- Kilwinning Trust – Charity number SC043374
- Largs Trust – Charity number SC043494

39. The trust balances are disclosed in a note in the council's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.

40. Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate independent auditor's report is required for the statement of accounts of each registered charity where members of North Ayrshire Council are sole trustees, irrespective of the size of the charity.

41. Our duties as auditors of the charities administered by North Ayrshire Council are to:

- Express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- Read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.
- Report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

42. The council has made full use of the connected charities provision and reports all charities within one set of accounts.

43. Six trusts have been dormant for a period of 3 years or more and of these, three Trusts have been dormant for over 5 years. The dormancy of each identified Trust is disclosed on page 6 of the Trustees annual report. There is no clear plan on how to bring these Trusts back in to use. It is therefore unlikely that these Trusts meet the requirement of public benefit. This has been raised as a recommendation in [Appendix 1](#).

44. We have given an unqualified opinion on the Annual Accounts of the eight charities administered by the council and have no matters to report under ISA (UK) 260 (*Communication with Those Charged with Governance*) or ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*).

2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

The Council has continued to demonstrate a strong culture of continuous improvement since its last Best Value report in 2020. It has robust arrangements in place to secure Best Value. It reports on how it is delivering improvements for communities and residents and has a clear understanding of where it needs to improve.

Good progress has been made with the recommendations made in its 2020 Best Value Assurance Report. In particular, it has a new performance dashboard designed to provide a much more user friendly and accessible way for residents to access performance data.

The council and its partners have a shared, long-term vision focused on addressing inequalities – A North Ayrshire that is fair for all. The council sets out four clear priorities that are aligned with the CPP's three key themes, in *Our Council Plan 2023-28*.

The council's new priorities were developed from sustained engagement with its communities. The council demonstrates genuine commitment to working with and empowering local communities.

The council has adopted an ambitious target for North Ayrshire to be net zero by 2030. The council is using interim targets to help it track progress. A 49 per cent reduction in emissions has been reported since 2005.

Best Value work in 2022/23

45. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

46. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2022/23 the scope of Best Value work included conclusions on:

- The Accounts Commission’s requested thematic work on leadership in the development of the council’s strategic priorities.
- Progress made against Best Value improvement actions made in previous years.
- Council service performance improvement.
- Effectiveness of council performance reporting.

47. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

Leadership in the development of the council’s strategic priorities

48. This year auditors were asked to focus on the councils’ leadership of the development of new local strategic priorities. The results of this work were [reported](#) to the council’s elected members at the November 2023 Audit and Scrutiny Committee.

49. The key findings in this [report](#) were as follows:

- The Council has continued to demonstrate a strong culture of continuous improvement since its last Best Value report in 2020. It has robust arrangements in place to secure Best Value. It reports on how it is delivering improvements for communities and residents and has a clear understanding of where it needs to improve.
- The council and its partners have a shared, long-term vision focused on addressing inequalities – *A North Ayrshire that is fair for all*. The council sets out four clear priorities that are aligned with the CPP’s three key themes, in *Our Council Plan 2023-28*.
- The council’s new priorities were developed from sustained engagement with its communities. The council demonstrates genuine commitment to working with and empowering local communities.
- Reducing inequalities is central to the vision and priorities of both the council and the Community Planning Partnership. The council views increasing inequalities as a very high risk. Addressing climate change is also a clear priority for both.

- The council has adopted an ambitious target for North Ayrshire to be net zero by 2030. The council is using interim targets to help it track progress. A 49 per cent reduction in emissions has been reported since 2005.
- A council-wide workforce strategy is in place however clear alignment will be needed with the council's Sustainable Change Programme as it progresses to maintain a synergy between workforce, service, financial and digital plans.
- Financial management is effective, however the current Medium Term Financial Plan shows significant funding gaps for 2024/25 of £11.8 million and £11.4 million for 2025/26. Strategic initiatives which require long-term revenue and capital commitments are properly incorporated into the financial planning process. To deliver balanced budgets over the medium-term, delivery of the Sustainable Change Programme is key.
- The leadership has been effective in setting clear priorities but now needs to finalise Delivery Strategies and Action Plans to ensure cross council delivery of the strategic aims and outcomes.
- Continuous improvement continues to be embedded in the council's culture. The council uses regular activities alongside more innovative approaches to identify areas for improvement.
- The council has a well established performance reporting framework. However development continues and in November an updated approach to self-assessment is being discussed alongside an improved Performance Management Strategy.
- The new Council Plan Performance Management Framework includes 26 performance indicators directly linked to the council's priorities. All indicators have a baseline value and targets. The first mid-year progress report on *Our Council Plan 2023-28* will be published in January 2024.
- Council Plan progress update reports and LGBF reports are balanced and informative, providing a wealth of information, but many of the current public performance reporting pages on the council's website need to be updated.
- The council's overall performance is improving. The number of Local Government Benchmarking Framework (LGBF) indicators in the top two quartiles has increased over time to 48 per cent in 2021/22.

- Good progress has been made on all four of the recommendations made in the 2020 Best Value Assurance Report.

50. Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value. Audit improvement recommendations were included in the thematic report and are replicated in [Appendix 1](#) of this report. This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

51. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this annual audit report.

The council has made good progress with all the recommendations made in its 2020 Best Value Assurance Report

52. The [2020 Best Value Assurance Report](#) (BVAR) for North Ayrshire Council was published in June 2020. It reported that; "The council has a strong culture of continuous improvement. It has significantly improved and continued to make progress since the last Best Value report in 2011. Council priorities, plans, actions, and outcomes are clearly linked. Staff play an active role in identifying and driving improvement. The council is delivering improvements for communities and residents."

53. The 2020 BVAR contained four improvement recommendations. In the last update reported to the Council in March 2022, management noted all actions as complete. As part of our 2022/23 Best Value thematic work, we followed up the agreed actions from the 2020 report. We concur with the view that good progress has been made on the recommendations. Further developments are ongoing in relation to three of the four recommendations. These relate to making all locality plans publicly available (see paragraphs 63 to 65), delivery of its Strategic Change Programme (see [paragraphs 113 to 116](#)), and alignment of workforce plans to the council's transformation activity (see [paragraphs 124 to 127](#)).

54. The council addressed the fourth 2020 BVAR recommendation to review its public reporting online portal by replacing it with an innovative, internally-developed performance dashboard. However due to resource constraints, the council has not

been able to keep the data up-to-date this year and has decided to keep it offline until it can be updated (see paragraphs 60 to 62).

The council is applying and developing innovative approaches to communicating its vision and priorities to its residents. Improving its website would help more residents access this material

55. *Our Council Plan 2023-28* makes good use of infographics and photographs. The text is large, the layout is clear and the language used is easy to understand while still effectively communicating its vision and priorities. This makes it accessible for interested parties from a range of backgrounds. Jargon is kept to a minimum. For example instead of using the word 'outcomes' the council uses 'We will know we're making progress when...'

56. The council has produced an effective and engaging two-minute video as one way of communicating its vision and priorities, as set out in *Our Council Plan 2023-28*. The video can be found on the council's website and uses plain language and images from around North Ayrshire to bring to life its priorities. A British Sign Language version of the video has also been created.

57. The council is planning further innovative approaches to sharing its vision and priorities. It has plans to:

- create a child-friendly version of its council plan by the end of 2024. To help develop this version of the plan it is consulting with young people including members of the Scottish Youth Parliament, care-experienced children and P7 members of pupil councils across schools in North Ayrshire.
- develop a plan on a page with a QR code to be distributed to frontline services. It is intended that this will be set out as a contract with residents, setting out the council's four priorities and will be signed by the Chief Executive and the Leader of the council. The QR code will take the user to a page on the council's website where performance reports developed in a magazine style will be able to be accessed.

58. The council has acknowledged that its website would benefit from improvement and it is currently being reviewed with a view to being replaced by Autumn 2024. At present there is no reference to *Our Council Plan 2023-28* on the council's homepage. To access the plan, the user has to click on 'Council & democracy', then click on 'Strategies, plans and policies' and then access the plan from a long alphabetical list. Therefore unless the user knows the plan exists and conducts an internet search for it then they would not come across it. This has resulted in a recommendation in the BV Thematic Report

that the council should prioritise concluding its website review with a view to improving it as soon as possible. This will bring many benefits, including raising more awareness of its vision and priorities.

The council addressed the 2020 BVAR recommendation to review its public reporting online portal by replacing it with an innovative, internally-developed performance dashboard. However due to resource constraints, the council has not been able to keep the data up-to-date this year and has decided to keep it offline until it can be updated.

59. The council's 2020 Best Value Assurance Report (BVAR) commented that:

...Performance reporting systems are clearly focused on priority areas. Targets are realistic and kept under review. Performance information is readily available in a variety of formats. Reports have become more user-friendly and focused in recent years.

60. The BVAR recommended that the council should review its public reporting online portal, North Ayrshire Performs, to make it more user friendly and accessible. The council reported in March 2022 that it had replaced its North Ayrshire Performs portal with a new performance dashboard developed in-house by the Corporate Policy, Performance and Elections Team and launched in February 2021. The dashboard was designed to provide a much more user friendly and accessible way for residents to access our performance data. The layout of the dashboard was seen as innovative and the council was asked to demonstrate it to a number of other councils.

61. When accessing the performance dashboard a notice appears – We are in the process of updating our dashboard with the most recent data. This holding page has been in place for a number of months. Due to capacity issues this year within the Corporate Policy, Performance and Elections Team, and to prevent out of date information being displayed, the council decided to take the performance dashboard down.

62. The holding page contains a link to the council's performance reporting webpages and contains contact details for the team. The council intends to refresh the dashboard to reflect *Our Council Plan 2023-28* over the next few months.

The council has not yet fully addressed the 2020 BVAR recommendation that all locality plans should be publicly available.

63. The 2020 BVAR recommended the council should work with locality partnerships to make clear what the intended impacts are of locality plans and make them publicly available. In response local partnership priorities were refreshed during 2020 and 2021, providing increased focus on priorities targeting local inequalities, with five of the six locality partnerships agreeing their ongoing priorities in June 2021. The refresh of Arran's local partnership priorities was ongoing to take into account the development of its Island Plan, subsequently published in March 2022. The intention was to publish these on North Ayrshire's Community Planning website.

64. At October 2023, Arran's locality plan only includes priorities and no plan. Its comprehensive Island Plan is not linked to the CPP website. In addition, Links to the locality plans on the CPP's website for Irvine and Three Towns are not working and locality planning impact reports, produced in Summer 2021, that contain achievements such as total amounts of Community Grants and Community Investment Fund awarded are available on the CPP website for all localities except Arran.

65. This has resulted in a recommendation in the BV Thematic Report that the council should update all locality planning information and corresponding links as soon as possible.

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The council reported a significant service underspend of £15.9 million against its 2022/23 revised budget.

There was a £22.439 million net increase in usable reserves, balances total £135.680 million at 31 March 2023. £21.546 million of the increase is from the application of permitted Service Concession Arrangements (PPP/PFI) flexibilities.

Capital expenditure was significantly lower than the original capital programme for the year.

The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

Financial systems of internal control were designed effectively, but we identified one area where the control could be strengthened. Standards for the prevention and detection of fraud remain appropriate.

The council operated within budget in 2022/23

66. The council approved its 2022/23 budget in March 2022. The budget was set at £380.7 million, which included planned savings of £3.1 million and no contribution from reserves. Budget adjustments throughout the year resulted in a revised budget for 2022/23 of £424.0 million which included a £15.9 million contribution from reserves.

67. In the 2022/23 Annual Accounts, the council reported a total service underspend of £15.9 million summarised in [Exhibit 4](#), of

which £2.8 million relates to reduced debt charges as a result of the application of the service concession arrangements.

Exhibit 4 Summary of significant variances against budget

Area	£m	Reason for variance
Underspends		
Communities	£5.3 million	Underspend includes the impact of industrial action by teachers, net teaching and non-teaching staff turnover and reduced expenditure on Early Learning and Childcare due to the revised programme for full implementation and lower than anticipated take-up of places.
Financing costs	£7.6 million	Underspend includes revision to annual debt repayment charges under the revised service concession arrangements of £2.8m and £4.8m from a planned underspend linked to the treasury strategy.
Other corporate items	£3.0 million	Underspend includes higher than anticipated income and reduction in bad debt provision.

Source: North Ayrshire Council 2022/23 Annual Accounts

There was a £22.439 million net increase in usable reserves

68. One of the key measures of the financial health of a council is the level of reserves held. In 2022/23 there was a net increase of £22.439 million in the council's usable reserves, resulting in a total balance of £135.680 million at 31 March 2023 ([Exhibit 5](#)).

69. Within the general fund reserve the most significant movements were in relation to the following:

- Planned use of £15.964 million for earmarked spend agreed through decisions taken by members during the year.
- Increase of £21.546 million following the application of Service Concession Arrangements (PPP/PFI) flexibilities in accordance with [Finance Circular 10/2022](#).
- Increase of £18.794 million due to 2022/23 underspend.

Exhibit 5

North Ayrshire Council – usable reserves

Reserve	31 March 2021 £ million	31 March 2022 £ million	31 March 2023 £ million
General fund	£66.044	£85.989	£110.115
Housing revenue account	£14.221	£15.616	£13.685
Insurance fund	£3.381	£3.140	£2.998
Capital fund	£3.119	£8.587	£8.882
Total usable reserves	£86.765	£113.241	£135.680

Source: North Ayrshire Council Annual Accounts 2020/21 to 2022/23

70. As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Head of Finance) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- **Working balance:** To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- **Contingency:** To cushion the impact of unexpected events or emergencies.
- **Known requirements:** To build up funds to meet known or predicted requirements.

71. The council's general fund reserve includes an unearmarked balance of £8.053 million, representing 2% of the expenditure budget of £406.157 million for 2023/2024. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with, although at the lower end of, the council's approved strategy of maintaining unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities.

72. The remainder of the general fund reserve, £102.1 million, is earmarked for specific purposes such as the supporting the council's renewal and recovery strategy (£12.9 million), supporting the

medium-term financial planning strategy (£17.7 million) and supporting borrowing linked to the council's capital investment programme (£18.9 million).

73. The level of reserves has enabled the council to deliver medium to long-term strategies, fund one-off costs and smooth its core revenue budget requirement. However, the council recognise that while conditions around funding remain, including the requirement to passport full funding to the IJB and maintain teaching and support staff numbers at 2022 levels, this places a disproportionate burden on other areas of council services as well as creating a financial risk to the council.

74. The Head of Service (Finance) acknowledges that based on current estimates, delivering balanced Budgets over the medium-term will be very challenging and will require a range of approaches, including reduced investment in services, further service reform / re-design, income generation, efficiencies from the Sustainable Change Programme, use of council reserves and a level of Council Tax increase that balances inflation against the impact on citizens.

Capital expenditure was significantly lower than the original capital programme for the year

75. The General Services Capital Investment Programme 2022/23 to 2030/31 was approved by Council on 2 March 2022. The Housing Revenue Account (HRA) Capital Investment Programme 2022/23 was approved by Council on 16 February 2022. General Fund Capital Expenditure outturn was £36.5 million in line with the revised annual budget for 2022/23. The HRA Capital Expenditure outturn was £30.5 million, an underspend of £6.4 million compared to the revised annual budget for 2022/23 of £36.9 million.

76. For both programmes a number of changes were made during the year to the original budgets. The capital monitoring report for Period 4 2022/23 (31 July) noted that for the General Fund approved programme of £124.2 million, a review of delivery timescales resulted in a reprofiling of £75.3 million to 2023/24 and beyond. Similarly for the HRA approved programme of £114.5 million, £60.1 million was reprofiled to 2023/24 and beyond. Full details of individual projects re-phased from 2022/23 were reported to Cabinet during the year.

77. Reprofiling for the General Fund included £11.0 million for Ardrossan Campus, £24.1 million for Ardrossan North shore and £15.2 million relating to a corporate phasing adjustment reflecting the degree of uncertainty in the total expenditure projections. Reprofiling for the HRA mainly related to New Builds of £42.5 million.

78. We believe there is scope for the council to improve its forecasting of capital projects and more accurately plan expenditure,

recognising the extent of optimism bias that appears to have existed in 2022/23.

Recommendation 3

The capital programmes should be reviewed to reflect the apparent optimism bias that existed in 2022/23.

79. In a capital programme performance update report to Cabinet in March 2023, the Head of Service (Finance) noted that in relation to the capital programmes, areas of risk have been identified as a result of cost volatility arising from ongoing inflationary pressures, outstanding contractor claims and supply chain issues. These ongoing issues will make delivery of the capital investment programmes challenging in 2023/24 and subsequent years.

There are well established budget monitoring and reporting processes in place

80. The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

81. The Cabinet regularly review progress against budget throughout the year. The budget updates provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from members.

Overall borrowing levels have decreased

82. At 31 March 2023, long term borrowing stood at £202.427 million, an increase of £19.97 million on the 2022 level of £182.457 million. During the same period, short term borrowing decreased from £84.164 million to £51.568 million, a decrease of £32.596 million. The reduction reflects the scheduled repayments of debt which matured during the financial year.

83. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy.

Financial systems of internal control were effective however we identified one area where an existing control could be strengthened

84. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we have not identified any issues that represent a risk of material misstatement for the 2022/23 Annual Accounts. We did however identify one area where an existing control could be strengthened:

- **Council tax property reconciliation:** The sample reconciliation we reviewed between the council's records and assessor's data did not state where the data originates from, what it had been reconciled to, or who had performed the reconciliation and when.

Recommendation 4

The format of the reconciliation between the council's records and assessor's data could be improved by clearly stating where the data originates from, what it has been agreed to, the name of the officer performing the reconciliation and the date agreed.

85. Except for this suggested improvement, the key controls within the council's main financial systems were assessed as being designed and implemented appropriately. We are satisfied that our audit work has provided sufficient assurance that there is no material misstatement of the accounts from these issues.

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2022/23

86. The internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

87. Internal audit's annual report, presented to the 30 May 2023 Audit and Scrutiny committee, provided a reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2022/23.

88. An external review of the council's Internal Audit team was completed by West Dunbartonshire Council and was reported to the Audit and Scrutiny Committee in September 2022. The review assessed the compliance of the Council's Internal Audit team with the 14 sections of the Public Sector Internal Audit Standards (PSIAS) and noted that the team fully conforms with 13 of the standards and generally conforms with the remaining one. Overall, the assessor was able to provide substantial assurance that the Council's Internal Audit team complies with the requirements of the PSIAS.

89. A total of 22 internal audit reports were issued during 2022/23. Nine audit opinions gave substantial assurance, 11 gave reasonable assurance and the remaining two reports with a wider scope gave combined audit opinions of Limited/Reasonable and Limited/Substantial. All 32 action points raised in the year were accepted by management. 73% of action points were implemented on time by council services against a target of 80%.

90. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2022/23 we did not plan to place formal reliance on the work of internal audit to support our financial statements audit opinion. However, we considered internal audit report findings as part of our wider dimension work.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption

91. The council has a range of established procedures for preventing and detecting fraud and irregularity including counter fraud and corruption strategy, whistleblowing policy and procedures, and codes of conduct for members and officers.

92. A Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation. The team received 357 referrals for investigation during 2022/23 (2021/22: 280 referrals). All referrals made to the team are investigated. 346 cases were closed during 2022/23 (2021/22: 284 cases) with results achieved (fraud, error or other recovery/action) in 109 cases. Fraud and error totalling £0.236 million was identified.

93. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The latest biennial NFI exercise commenced in October 2022 with the submission of data sets to the Cabinet Office. The Corporate Fraud Team co-ordinates the Council's participation in the NFI. Data matches to date have been received between January and March 2023 and passed to the appropriate teams for further investigation. This exercise is due for completion by March 2024.

94. We have concluded that the council has in place appropriate arrangements for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The council has a good process in place for financial planning.

The current Medium-Term Financial Plan shows significant funding gaps for 2024/25 and 2025/26 of £11.8 million and £11.4 million respectively. The use of the service concessions flexibilities has partially mitigated medium-term financial challenges.

Good progress continues to be made in developing the council's Sustainable Change Programme which is key to ensuring the delivery of balanced budgets over the medium-term.

The council approved a balanced budget for 2023/24 in March 2023

95. We recognise the increasingly challenging financial environment councils are operating in. Additionally, in its May 2023 Local Government in Scotland Overview 2023 report, the Accounts Commission commented on the limited flexibility councils have with their funding, noting that: "An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need."

96. The Council approved a balanced budget for 2023/24 of £407.8 million in March 2023. This incorporates the 2022/23 base budget adjusted to reflect the outcome of a full review of service pressures, previously approved savings, operational budget adjustments, national expenditure requirements and a net contribution of £8.9 million to the Health and Social Care Partnership. The council took the decision to increase council tax by five per cent to fund service expenditure in 2023/24.

97. Funding from Scottish Government to support the 2022/23 pay award has been paid as a capital grant (£3.2m in 2023/24). This has released revenue resources previously earmarked to fund capital projects to now support the revenue position per agreement via COSLA and Scottish Government.

98. The 2023/24 budget includes £3.4 million contribution from reserves, including the service concessions flexibility, and additional approved savings of £1.6 million. A further £4.0 million of service concession flexibility was approved to assist with workforce planning spend-to-save initiatives.

99. In a letter from the Deputy Director: Workforce, Infrastructure and Digital on 9 February 2023 to all local authorities, the Scottish Government confirmed the need for councils to protect teacher numbers, pupil support staff and learning hours. Officers acknowledge that the conditions around maintaining teacher numbers presents a significant financial risk to North Ayrshire Council within the context of a falling pupil roll relative to other local authority areas and from the known reduction in Scottish Attainment Challenge funding (£1.1m in 2023/24).

The council has well established processes in place for planning into the longer term

100. The council has well-established processes for setting and monitoring budgets. Its General Fund Long Term Financial Outlook (LTFO) is central to the Council's strategic financial framework and establishes a sound basis for the development of the Medium-Term Financial Outlook (MTFO) and subsequent annual budgets, enabling the Council to address the challenges it faces and align resources to key priorities. The LTFO ensures that strategic initiatives which require long-term revenue and capital commitments are properly incorporated into the financial planning process.

101. In December 2020 the council approved its current LTFO for the period 2021/22 to 2030/31 and MTFO 2021/22 to 2023/24. The LTFO 2021/22 to 2030/31 identified an estimated funding shortfall of £120 million over the period which the Council requires to address. This was based on best estimates with sensitivity analysis highlighting that a 1% change in the underlying assumptions could result in this increasing to as much as £228 million over the same period.

The current MTFP shows significant funding gaps from 2024/25

102. An updated MTFO is presented to the Council in November and an updated Medium Term Financial Plan (MTFP) providing an overview of the Council's anticipated financial position on the

General Fund revenue budget for the next three financial years is presented to the Council in March. The MTFO for the period 2023/24 to 2025/26 was approved by the Council in November 2022.

103. In the March 2023 Council meeting, the Head of Service (Finance) noted the significant ongoing risks to the financial sustainability of service delivery and the requirement for the Council to hold a sufficient level of reserves. He also noted that the level of reserves set out in the budget aligns with known future commitments but that the Change and Service Redesign Fund will require to be kept under review to ensure sufficient resources are available to continue to support the Council's Sustainable Change Programme.

104. The MTFP for 2023/24 to 2025/26 builds on the analysis reflected in the Medium-Term Financial Outlook and provides a balanced budget for 2023/24 with indicative funding gaps remaining for 2024/25 and 2025/26 of £11.8 million and £11.4 million respectively. This position, includes the profiled use of Service Concession flexibility totalling £1.9 million in 2023/24, £5.0 million in 2024/25 and £4.0 million in 2025/26. The position into the longer term continues to present a significant challenge to the sustainability of the Council's finances.

105. The council is due to present an updated financial plan (MTFO) to members in December 2023.

106. The Convention of Scottish Local Authorities (COSLA) and the Scottish Government (SG) have agreed the New Deal, or Verity House Agreement. It is based on three shared priorities: tackling poverty; just transition to net zero; and sustainable public services. The SG and COSLA will work together on engagement on budget planning, a fiscal framework, programmes of activities and a review of local government grant funding. SG and local government will also agree a monitoring and accountability framework.

107. The council has committed to updating its financial plans in line with the financial environment it is operating in at the time alongside its strategic priorities. These updates should include any developments from the Verity House Agreement. This will ensure a cohesive approach to the delivery of services and outcomes for citizens.

The use of Service Concessions has partially mitigated medium-term financial challenges

108. As set out in [paragraph 29](#), the Council has a number of PFI and similar projects which fall within the scope of service concession arrangements; North Ayrshire Council Schools and Largs Campus. By bringing the accounting of PPP / DBFM contracts into alignment with the accounting for all other local authority assets and following approval by the Council in February 2023, the retrospective sum of

£21.5 million up to 2022/23 is available to support the significant pressures in the MTFP.

109. In a report to the February 2023 Council meeting, the Head of Service (Finance) noted that the retrospective element of this change would be utilised to help temporarily and partially mitigate the significant challenges identified in the budget gap within the medium-term General Services Revenue Budget. He also noted that use of this flexibility, however, would have to be applied in a limited and controlled manner across several financial years, and critically, that this runs in parallel with more sustainable measures to reduce the cost base of the Council in line with available funding and the key priorities.

Community budget engagement was good

110. The Council carried out an extensive programme of community budget engagement during January 2023. Consultation is now a matter of routine and included 6 locality-based face to face sessions with citizens and community groups and through the release of an on-line questionnaire structured around the functions of the Council and the level of relative priority citizens place on them. A total of 1,400 questionnaires were completed.

111. All the feedback from the locality-based sessions and from the questionnaires was consolidated and shared with elected members for consideration as part of the Budget setting process. The feedback was wide ranging with individual localities having differing local priorities. In overall terms the Council services which ranked highest in terms of priority included:

- household waste collection
- roads and paths investment and maintenance
- education services
- streetscene services.
- access to Council housing and repairs, and
- social care services.

To deliver balanced budgets over the medium-term, delivery of the Sustainable change Programme is key

112. The council's 2020 Best Value Assurance Report (BVAR) commented that:

... The council has made good progress with its transformation agenda; however, it still faces a

significant shortfall and detailed plans are not yet in place.

113. Whilst progress has been impacted by the pandemic we reported in our thematic report that good progress has been made in developing the Sustainable Change Programme. The Council recognise that it is important that a pipeline of activity continues to be identified, with a primary focus on generating financial efficiencies to help address the significant financial pressures across the MTFP. The Transformation Board which considers and agrees work to be progressed under the Programme is chaired by the Chief Executive with sponsors identified across all workstreams at Chief officer level.

114. The programme is subject to regular review and monitoring via a benefits tracker. The tracker includes projected savings, any workforce implications for delivery and a roadmap that outlines when key milestones will be delivered and by whom. The current workstreams include:

- use of land and property assets
- transport and travel efficiencies and decarbonisation of fleet
- sustainability initiatives including major renewable energy investment
- digital strategy - accessing our council and financial inclusion.

115. The Council acknowledge that the more progress that can be made through delivery of the Programme, the less impact there could potentially be on key services delivered to communities. Financial efficiencies generated from the Sustainable Change Programme of £1.05 million in 2024/25 and £0.3 million in 2025/26 will help address budget gaps over the medium-term. The 2024/25 savings arise mainly from the production of renewable energy at Nethermains and Shewalton (see [paragraphs 120 to 123](#) below).

116. Further emerging programmes are currently under discussion by the Transformation Board which have the potential to deliver a material financial benefit to the council.

The council has identified digital transformation as a key part of delivering differently

117. Digitalisation of services has been identified by the Council as a key part of delivering services differently. The council has good examples of positive impacts of digital initiatives on delivering services. These include more online services being available on the Council's website, the launch of the Xpressions App (a service providing parents with an app to receive messages from the school)

and the use of digital technology to enhance visitor experiences through the use of QR codes.

118. In May 2023, Cabinet approved a refreshed North Ayrshire Digital Strategy 2023-2028. The strategy incorporates the principles outlined by the Scottish Government in its April 2021 digital strategy “A Changing Nation: How Scotland Will Thrive in a Digital World”.

119. In developing the Digital strategy, priority areas have been identified by the Council and the Strategy sets out specific areas of focus across each Priority. An action plan has been included in the Strategy to provide the initial baseline of activity as well as a monitoring framework that will enable progress to be tracked across the life of the Strategy. Key action points for the period 2022-2024 include:

- review of online digital services to identify opportunities for improvement and promote to customers
- investigating robotic process automation opportunities
- streamline referral pathways to ensure customers gain access to the appropriate support service
- website – accessibility and usability.

The council is progressing two solar PV farms projects

120. In 2015/16 a study into opportunities for the creation of renewable energy on Council land was undertaken as part of the North Ayrshire Renewable Energy Strategy. This included outline business cases being created for two solar photovoltaic (PV) farm projects, to be sited at Nethermains and Shewalton former landfill sites.

121. Due to the removal of government subsidies, the business cases became financially unviable and were therefore not progressed further at that time. However, reductions in the market value of solar PV infrastructure and associated costs since 2015 created an opportunity for the proposals to be revisited and updated with current market values. Taking account of the reduced costs and changing market conditions, the two outline business cases were refreshed by the original authors, Arcadis Consultancy Ltd. The business cases were also subsequently analysed and peer reviewed by academics within Strathclyde University.

122. The refreshed business cases now confirm both sites are viable in the current market and in January 2021 Cabinet authorised the Executive Director of Place together with the Head of Service (Finance) to further investigate and conclude final contractual

arrangements. The total net income from this Solar PV Farm over a 20-year period is estimated as £12.8 million, with a financial return of £0.75 million in 2024/25. However, the position has still to be finalised and will be influenced by the timing of the project delivery and the contractual position around utility rates.

123. The contract for Design and Build for both sites (contract value £15,981,295) was awarded in March 2023 to Amaresco. The contract period will be 64 months (up to 6 months for design, up to 10 months for build, 12 months operation and 48 months maintenance).

Clear alignment of workforce plans will continue to be needed with the council's Sustainable Change Programme as it progresses

124. North Ayrshire Council has more than 7,500 employees at an annual cost of some £333 million. The council has established corporate and service workforce plans which include: active management of the size of its permanent work force; vacancy management; review of temporary contracts; together with selective use of voluntary severance and early retirement.

125. The council's workforce strategy, 'A Workforce for the Future' is linked to the MTFO and recognises and reflects on the significant external pressures and financial uncertainty facing the council. Anticipated workforce implications associated with the MTFP are that the workforce is projected to reduce by 26.9 Full Time Equivalent posts (FTE's) in 2023/24 and increase by 22 FTE's in 2024/25. This is prior to the outcome of the 2024/25 budget process. The reduction to workforce levels in 2023/24 will be managed through a combination of vacancy management, redeployment and voluntary early release.

126. The council intends to implement further change in relation to the workforce as part of wider strategies supporting transformation. As future service models emerge from the council's transformation activity, the workforce plans will require to be developed further.

127. Clear alignment will continue to be needed with the council's Sustainable Change Programme as it progresses to ensure they adhere to the council's priorities over the medium and longer-term and create a synergy between workforce, service, financial and digital plans.

The council has a capital investment strategy which underpins the development and refinement of capital investment plans

128. The council's latest Capital Investment Strategy was approved by the Council in March 2023. This Strategy brings together the various asset management plans and strategies across the council, aligning investment plans with these strategies and with strategic priorities. The strategy is reviewed and updated on an annual basis alongside individual asset management plans. The refreshed Capital Investment Programme 2023/24 to 2030/31 confirms total investment of £434.1 million over the period.

129. The Strategic Housing Investment Plan (SHIP) 2023 – 2028 sets out the priorities and locations for affordable housing investment by the council and Registered Social Landlords in North Ayrshire over the next five years. The SHIP is based on projected Scottish Government grant funding provision for the Council and partner Registered Social Landlords of £120.9 million during the period 2023 – 2028 and represents council investment of £84.8 million. The Scottish Government has committed to providing North Ayrshire Council with grant funding for the council and RSL partners of £63.0 million from April 2022 to March 2026.

The Ayrshire Growth Deal shows the council and its partners are focused on working together to invest in Ayrshire

130. In March 2019, the Ayrshire Growth Deal was signed by the three Ayrshire Councils and the UK and Scottish Governments. The Deal is a 10 year programme of investment in the Ayrshire economy with the UK and Scottish Governments contributing £103 million each, with further funding of £45.5 million from the three councils. The Deal is based around five programmes:

- [aerospace and space](#)
- [communities](#)
- [economic infrastructure](#)
- [energy, circular economy, and environment](#)
- [tourism.](#)

131. The majority of projects associated with these themes focus on infrastructure investment designed to act as a catalyst for business growth. North Ayrshire Initiatives which are benefitting from

programmes include the i3 Irvine Enterprise Area and Ardrossan Waterfront.

132. The financial profile and delivery plan for each individual project within the Deal is contained in a Financial Plan and an Implementation Plan. A Governance document sets out the roles and responsibilities of partners and the processes for financial management and audit.

133. Each partner and project lead is required to collate project data on a quarterly basis. This information is reported to the CEOs/Directors Group with summary information being provided to the Ayrshire Regional Economic Partnership Board.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

The council has a clear vision that staff and community planning partners understand

The different sets of actions and strategies to deliver the vision are being finalised

Leadership is effective and there is good collaborative working

Scrutiny arrangements and the quality of councillors' scrutiny appear effective

The council has adopted an ambitious target for North Ayrshire to be net zero by 2030.

The council has a clear vision that staff and community planning partners understand

134. The council published *Our Council Plan 2023-28* in June 2023, describing it as 'our living contract with our communities in North Ayrshire. It is the most important plan for our Council as it contains the priorities of our residents, it is our joint plan, "our Council Plan".

135. It has intentionally designed *Our Council Plan 2023-28* to build on the progress of the previous plan, recognising that many of the challenges North Ayrshire experiences are complex and longer-term solutions are required to address them. The priorities set out in its previous plan, Council Plan 2019-24, were aspiring communities, inspiring place and a council for the future. The council's four new strategic priorities, that it describes as being interlinked and interdependent, are: Wellbeing; Communities and Local Democracy; Climate Change, and; a Sustainable Council. The first three priorities focus on frontline delivery of services. The fourth priority 'A Sustainable Council', enables effective delivery through effective governance and management of resources.

136. The different priorities are all supported by a number of corporate plans and strategies. There are similarities between the different sets of outcomes and priorities and they all contribute to the central long-term vision. The Plan notes that every plan, strategy and policy within the council aligns with *Our Council Plan 2023-28*.

The different sets of actions and strategies to deliver the vision are being finalised

137. In submitting the Council Plan for approval by the Council in June 2023 the Chief Executive noted that once the Council Plan has been approved, Delivery Strategies and Action Plans will be prepared to ensure cross Council delivery of the strategic aims and outcomes.

138. In line with the previous Council Plan, the council will continue to prepare an annual Delivery Plan approved by Cabinet setting out how the priorities of the Council Plan will be delivered. This will be remitted to the Audit and Scrutiny Committee for further scrutiny. It is proposed to report on the Delivery Plan every six months to Cabinet, and thereafter to the Audit and Scrutiny Committee.

139. The Delivery Plan will consist of the key actions published within the Council Plan. These will be delivered through detailed actions within the Local Strategies. The council has recently finalised mapping between the actions and strategies so teams delivering the strategies can provide an update under each Council Plan action. This approach is designed to strengthen the 'golden thread' and ensure Council Plan actions can accommodate updates from more than one team. Local Strategies include:

- Community Wealth Building Strategy
- The Regional Economic Strategy
- Community Plan (LOIP)
- Health and Social Care Partnership Strategic Plan
- Education Service Improvement Plan
- Child Poverty Action Plan
- Children's Services Plan
- Children's Rights Report
- Youth Participation and Citizenship Strategy
- Island Plans
- Regeneration Delivery Plan
- Local Housing Strategy
- Strategic Housing Investment Plan (SHIP)

- Local Development Plan
- Environmental Sustainability and Climate Change Strategy
- KA Leisure (North Ayrshire Leisure Limited) Business Plan

140. As an integral part of the reporting process, residents and communities will be actively encouraged to scrutinise performance through six monthly ‘magazine style’ accessible reports which will be published on the Council’s website.

Leadership is effective and there is good collaborative working

141. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

142. We have observed that working relationships between members and between members and officers are constructive and productive. Councillors show a commitment to agreed council priorities and working together to achieve them.

143. In May 2022, local government elections were held across Scotland. Thirty-three councillors were elected to represent the nine wards of North Ayrshire Council. A minority SNP administration was formed. Prior to the election a minority Labour administration was in place.

144. The Council is supported by the following main committees:

- Audit and Scrutiny Committee
- Cabinet
- Education Appeals Committee
- Licensing Committee
- Local Development Plan Committee
- Planning Committee
- Appeals Committee
- Ayrshire Shared Services Joint Committee
- Ayrshire Economic Joint Committee.

Scrutiny arrangements and the quality of councillors' scrutiny are effective

145. The current Chief Officer and Directorate Structure includes the following core services:

- Chief Executive's
- Communities and Education
- Place

146. A management restructure took place in January 2023. Changes included the alignment of Growth and Investment with Economy and Regeneration. These services have incorporated within the Place Directorate to provide better strategic alignment to the Council's political structure.

147. The council's executive leadership team (ELT) meets on a weekly basis. The ELT comprises the chief executive, two executive directors, the director HSCP, the Head of People and ICT, the s95 officer, and the monitoring officer. An extended chief officer leadership team (COLT) including all other heads of service meets on a quarterly basis. There is effective working at ELT level. Positive relationships exist in the team and the council's directorate structure has helped increase corporate working. There is consistency between directorates, both in terms of business processes such as service planning and staff appraisal and in terms of a shared vision. There is general agreement that the council's vision is clear and strongly linked to the Scottish Government's national vision and priorities.

148. North Ayrshire Council operates a cabinet system. This is the main decision-making body of the Council. It consists of 6 Members of the SNP administration each of whom holds a specific Portfolio. Meetings of the Cabinet are Chaired by the Leader of the Council. This system works well and is supplemented by a policy advisory panel that provides all elected members with an opportunity to influence strategic and policy developments. All inspection reports are reviewed by Cabinet, with audit reports reviewed by the Audit and Scrutiny Committee.

149. Council business is transparent, with all decisions being made in public, unless they are commercially sensitive. Full council meetings, cabinet meetings and Integration Joint Board meetings are streamed online and all reports are uploaded to the website three working days before meetings. There is effective working at Cabinet level.

150. Working relationships between officers and councillors are respectful and constructive. Guidelines for member/officer relations

exist which set out the way in which Members and officers of the council should behave towards one another and define the roles and responsibilities of Members and officers. Relevant officers attend committee meetings to answer councillors' questions. Where particularly complex information is being provided to councillors, briefing sessions are held to allow councillors to consider information in more depth to inform scrutiny at committee. From our observations of the strategic committees, scrutiny arrangements and the quality of councillors' scrutiny are effective.

151. All councillors have access to Continuing Professional Development discussions and the opportunity to participate in self/360 assessments to review and support their ongoing development. A series of development events are also provided to further support elected members development. The council has a training and induction programme prepared for new councillors.

The council has adopted an ambitious target for North Ayrshire to be net zero by 2030. A 49 per cent reduction in emissions has been reported since 2005

152. The council declared a climate emergency in June 2019. Its Environmental Sustainability and Climate Change Strategy 2021-23 established its current targets - to reduce and remove emissions for North Ayrshire to achieve net-zero carbon status by 2030, applicable to both the council's own estate, and North Ayrshire as a whole. The council has also set interim targets for 2023 and 2027, helping it to track progress and ensure that achieving the final net zero target remains a priority. In November 2022 it reported a reduction in council estate emissions of 68 per cent in comparison with its baseline in 2005 and across North Ayrshire emissions had reduced by 49 per cent.

153. The council is currently consulting on a new Environmental Sustainability and Climate Change Strategy covering 2024-26, due to be published by the end of 2023. The new strategy will include a greater focus on adaptation and carbon sequestration and will set out more detailed proposals about how the council plans to reduce emissions further.

154. As set out in [paragraphs 120 to 123](#), the council is building two solar farms on former landfill sites to generate renewable energy and income. It is expected that both will be generating clean, renewable energy in 2024 and they are seen as a key in helping the council achieve its target of net zero carbon emissions by 2030.

Cyber Security arrangements

155. As reliance on technology grows within audited bodies, failure of network and information systems has a bigger impact on the

delivery of public services. In addition, there are more opportunities to compromise those systems. All public bodies need to recognise these cyber threats and embrace the importance of protecting data and securing information.

156. A Cyber security risk is recorded and monitored via the council's Strategic Risk Register. The council use a cloud-based management platform to provide:

- anti-virus/anti-malware
- ransomware file protection
- create and deploy policies
- endpoint detection and response
- tamper protection.

157. A firewall is used to secure the network and control access through rules and access control policies. Devices and servers are kept up to date with security patches. The council is involved in a joint procurement exercise with a number of other councils to procure a managed Security Operations Centre service. That exercise is due to begin during 2023/24. The Council also aims to align to the Scottish Governments Cyber Resilience Framework.

158. A third-party supplier carries out annual IT health checks which is used for PSN certification. The Council also has a Cyber Incident Response Plan in place which is tested quarterly as part of business continuity and disaster recover exercises. The IT Manager has confirmed that there have been no major reportable incidents identified or detected in the last year.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The council has acknowledged that the content of its performance pages needs to be refreshed and in particular, its Performance Dashboard needs to be updated.

The council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the 2021 Statutory Performance Information (SPI) Direction

The council plans to introduce a new approach to self-assessment of services.

The council's overall performance is improving and its rate of service improvement is faster than other councils.

The council publishes its performance in a number of formats but it acknowledged that the content of its performance pages needs to be refreshed and, in particular, its Performance Dashboard needs to be updated

159. The BV thematic report concludes that Council Plan progress update reports and LGBF reports are balanced and informative, providing a wealth of information, but the council acknowledges that many of the current public performance reporting pages on the council's website need to be updated.

160. Annual and mid-term Council Plan performance reports are made available on the council's performance webpage to allow

residents to track the council's progress against its priorities. A performance summary is also included and 'at a glance' shorter annual performance reports are also published. These are very visual, making good use of photographs and infographics and provide a link upfront back to the more detailed Council Plan performance report.

161. Other public performance information reported by the council on its webpages includes:

- a Performance dashboard. As described in paragraph 61, this is currently offline until it can be updated with recent data
- a 'How your council is performing' webpage, providing a link to LGBF data

The council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the 2021 SPI Direction

162. The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities)
- own assessment of audit, scrutiny and inspection body assessments and how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

163. In addition to the information noted above that provides information required by these indicators, the website includes:

- a Best Value assurance page. This includes a link to the Best Value Assurance report from 2020 along with a video from the council's Chief Executive drawing out the key messages. This page should also set out how the council responded to the recommendations in the BVAR.
- an Audits and inspections page. This page provides links to Education Scotland, the Scottish Housing Regulator, Food

Standards Scotland and Audit Scotland. These links tend to be to the home page or a generic information page of those organisations and do not link to specific reports about North Ayrshire Council and so it is not obvious what inspection and audit activity has taken place and when. There is also no information about how the council has responded to its audits and inspections. One of the Audit Scotland links takes the user to another webpage – ‘Budgets and Finance’ that does list Annual Audit Reports, although the latest one is dated 2017/18.

164. We have assessed the council’s arrangements for reporting against the Direction and conclude that the council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the 2021 SPI Direction.

Recommendation 5

The council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the 2021 SPI Direction.

The council plans to introduce a new approach to self-assessing its services

165. The BV thematic report concludes that continuous improvement is embedded in the council’s culture. The council is planning to refresh its approach to self-assessment. This is being developed in conjunction with performance management arrangements for *Our Council Plan 2023-28* and is due to be considered by ELT in November 2023 as part of the council’s revised Performance Management Strategy.

166. The council is considering using a Public Service Improvement Framework (PSIF) approach combined with performance peer review meetings.

The council’s overall performance is improving and its rate of service improvement is faster than other councils

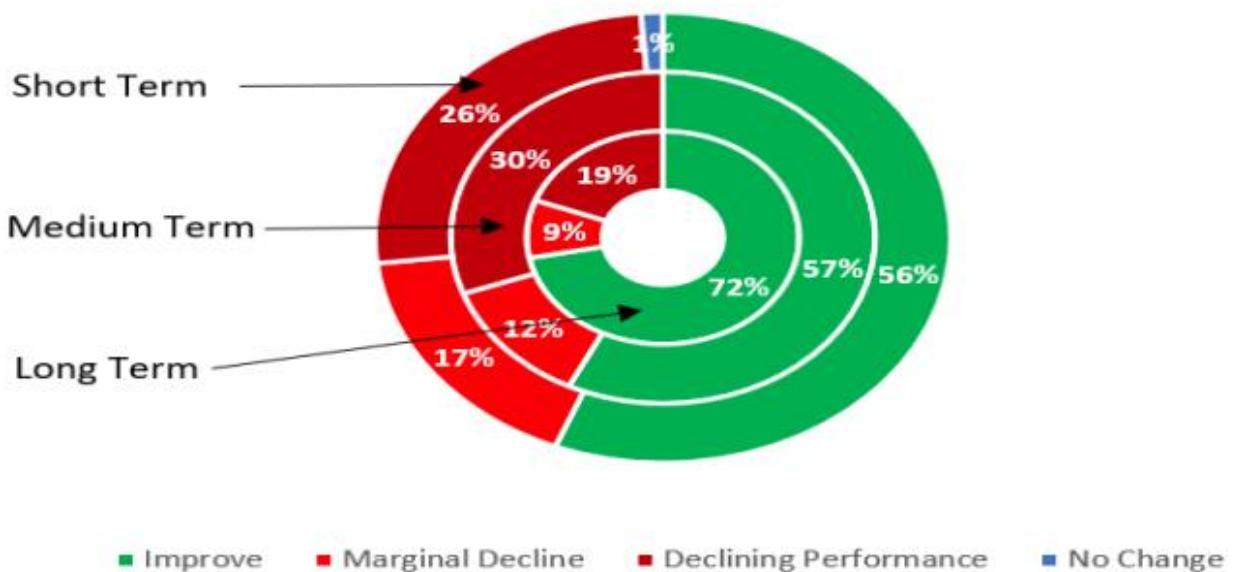
167. The Accounts Commission’s Local Government in Scotland Overview 2023 says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

168. In September 2022, the council reported that, in 2021/22, 79 per cent of the council's performance indicators, where the status was known, were on target or just slightly adrift of target, slightly more than 2020/21 (78 per cent).

169. The council participates in the Local Government Benchmarking Framework (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. The council's tailored LGBF report from September 2022, referring to performance information from 2020/21 reported that:

- where a short-term comparison is available, 56 per cent of all indicators have improved, one per cent have not changed and 43 per cent have declined (though 17 per cent have declined only marginally). Medium-term, 57 per cent of indicators have improved and long-term, 72 per cent have improved (Exhibit 6).
- 24 per cent of indicators were in the top quartile
- 50 per cent of indicators were performing better than the Scottish average.

**Exhibit 6
North Ayrshire Council's LGFB indicators overview –
2020/21**

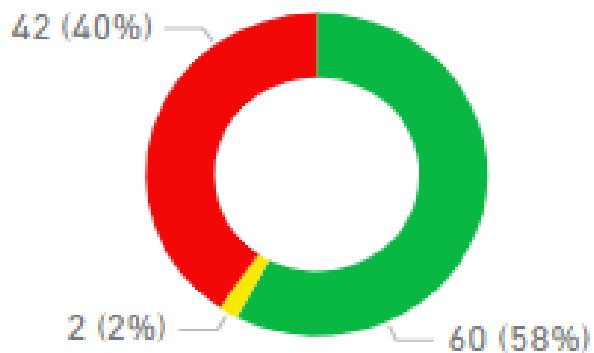


Source: Local Government Benchmarking Framework Data Analysis 2020/21, North Ayrshire Council

170. The most recent National Benchmarking Overview Report 2021/22 by the Improvement Service was published in March 2023. Using 2021/22 LGBF data, [Exhibit 7](#) shows the council's 2021/22 overall performance across services when compared with the relevant data's base year. Of the 104 indicators reported, 60 (58%) of these have improved for the council since the base year.

Exhibit 7

Proportion of LGBF indicators that have improved, deteriorated or stayed the same since the base year



Source: Local Government Benchmarking Framework

171. The number of indicators in the top two quartiles has increased from 40 per cent in the base year to 48 per cent in 2021/22. These results indicate that while the council's overall performance year-on-year has improved, its performance has also improved at a faster rate than other councils over this period.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Group Accounting</p> <p>We identified a number of issues in our testing of group consolidation adjustments.</p> <p>Risk – If the group accounting process is not improved, future accounts could be mis-stated.</p>	<p>The council should review its group accounting process to ensure the completeness and accuracy of consolidation adjustments.</p> <p>Exhibit 2</p>	<p>A full review of group accounting procedures in line with Code requirements will be carried out ahead of the close of financial year 2023/24.</p> <p>David Forbes, Senior Manager - Finance and Revenues</p> <p>31 March 2024</p>
<p>2. Heritage Assets Valuation</p> <p>The council engaged an external valuer to value its heritage assets.</p> <p>No formal letter of engagement was issued setting out the scope and objectives of the valuer's work.</p> <p>Risk – The scope and objectives of the valuation exercise could be misunderstood, resulting in asset values being mis-stated.</p>	<p>The council should obtain a formal engagement letter from the Heritage Assets valuer.</p> <p>Paragraph 27</p>	<p>A formal process for the identification of items to be valued and scope of work to be undertaken will be agreed with the valuation contractors.</p> <p>Lesley Forsyth, Senior Manager – Information & Culture</p> <p>31 March 2024</p>
<p>3. Forecasting of capital projects</p>	<p>The capital programmes should be reviewed to reflect</p>	<p>The Head of Finance will continue to address the optimism bias issue through</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Reprofiling for the General Fund included £11.0 million for Ardrossan Campus, £24.1 million for Ardrossan North shore and £15.2 million relating to a corporate phasing adjustment reflecting the degree of uncertainty in the total expenditure projections. Reprofiling for the HRA mainly related to New Builds of £42.5 million.</p> <p>Risk - The council is unable to accurately forecast capital expenditure.</p>	<p>the apparent optimism bias that existed in 2022/23.</p> <p>Paragraph 78</p>	<p>the CPAG group. Specifically, as part of the Budget setting process for 2024/25, a further corporate adjustment will be made to expenditure forecasts and this will be evidence based from historic patterns of expenditure and a recognition of organisational capacity.</p> <p>Mark Boyd, Head of Finance</p> <p>31 March 2024</p>
<p>4. Council tax property reconciliation</p> <p>The reconciliation between the council's records and assessor's data does not identify where the data originates from, what it had been reconciled to, or who had performed the reconciliation and when.</p> <p>Risk – Reconciliations may be incorrectly completed leading to variances between council and assessor records not being identified.</p>	<p>The format of the reconciliation between the council's records and assessor's data could be improved by clearly stating where the data in the reconciliation originates from, what it has been agreed to, the name of the officer performing the reconciliation and the date agreed.</p> <p>Paragraph 84</p>	<p>The format of the year end reconciliation between the AVJB's council tax register and the Council Tax system will be reviewed and updated.</p> <p>David Forbes, Senior Manager - Finance and Revenues</p> <p>31 March 2024</p>
<p>5. The 2021 Statutory Performance Information (SPI) Direction</p> <p>Our assessment has concluded that the council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the new SPI Direction.</p> <p>Risk – The council may not comply with the new</p>	<p>the council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the 2021 Statutory Performance Information (SPI) Direction.</p> <p>Paragraph 164</p>	<p>Inspections, audits, awards and accreditations will be included in our six-monthly Council Plan Progress Reports which are published on the Council's website.</p> <p>Isla Hardy, Team Manager - Corporate Policy and Performance</p> <p>31 January 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>requirement to report its own assessment of audit, scrutiny and inspection body assessments and how it has responded to these assessments.</p>		

2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Vision</p> <p>The council has acknowledged that its website would benefit from improvement and it is currently being reviewed with a view to being replaced by Autumn 2024.</p>	<p>The council should prioritise concluding its website review with a view to improving it as soon as possible. This will bring many benefits, including raising more awareness of its vision and priorities.</p>	<p>The website redesign project is currently progressing at pace and the aim is to have a Beta version live by Summer 2024 and the full version live by Autumn 2024. To improve the visibility of the Council Plan and Priorities the home page will be revised to include reference to our Council Plan 2023-28.</p> <p>Fiona Walker, Head of People and ICT</p> <p>Summer/Autumn 2024</p> <p>Aileen Craig, Head of Democratic Services</p> <p>December 2023</p>
<p>2. Performance</p> <p>The council has acknowledged that the content of its performance pages needs to be refreshed and, in particular, its Performance Dashboard needs to be updated. The council also recognises the need to improve its website as a whole and is working towards launching a new</p>	<p>The council should ensure that all the performance information published on its website is up-to-date, performance reports are as timely as possible and audit and inspection information is easily accessible and includes how the council is responding to recommendations.</p>	<p>Website will be reviewed to remove or replace out of date information. Audits and inspections will be included in six monthly Council Plan Progress Reports published on the site.</p> <p>Isla Hardy, Team Manager - Corporate Policy and Performance</p> <p>31 January 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>website in Autumn 2024. In addition, it plans to report the results of, and its response to, audit and inspection work in its Council Plan progress updates going forward.</p>		
<p>3. Citizen and community engagement</p> <p>The council has published locality impact reports for five of its six localities. However a number of links to locality planning information are not yet available.</p>	<p>The council should update all locality planning information and corresponding links as soon as possible.</p>	<p>The CPP website will be reviewed to ensure all locality planning information and links are up to date. The Community Planning Partnership website will be refreshed with new Locality Partnership pages.</p> <p>Jacqueline Greenlees, Senior Manager – Community Planning.</p> <p>31 December 2023</p>
<p>4. Tackling climate change</p> <p>The council's website does not currently have a dedicated climate change webpage. The council plans to improve its website as a whole and is exploring the inclusion of more information on carbon emissions and climate change as part of a Sustainability Awareness Communications Plan.</p>	<p>The council should consider including more information on its website about what it is doing to address climate change and the progress it is making.</p>	<p>The Council's website will be updated to include more information on what we are doing to address Climate Change and progress we are making, including publication of a dedicated public facing Climate Change webpage.</p> <p>Options for a social media page dedicated to climate change will be investigated.</p> <p>Jennifer Wraith, Team Manager – Sustainability</p> <p>31 January 2024</p>

2022/23 recommendations for charities administered by North Ayrshire Council

Issue/risk	Recommendation	Agreed management action/timing
<p>CH1. Dormant trusts</p> <p>Six charitable Trusts have been dormant for 3 years or more. There is no clear plan on how to bring the Trusts back in to use. This indicates that the Trusts are not meeting the requirement of public benefit.</p> <p>Risk – The Trusts do not meet the requirement of public benefit.</p>	<p>The body should ensure all Trusts have adequate governance documentation enabling grants to be issued. The Trust should also be suitably advertised.</p> <p>Paragraph 43</p>	<p>All Trust governance documents will be reviewed to ensure that they are adequate to support the distribution of grants to support communities. A strategy for the promotion of all available community funding will be developed to support communities and individuals identify and access available funding options, including currently dormant charitable trusts.</p> <p>Rhonda Leith, Head of Connect Communities</p> <p>31 March 2024</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Infrastructure assets</p> <p>The Council's Fixed Asset Register has a degree of detail in terms of different types of infrastructure assets held.</p>	<p>The Council should revisit its useful economic life (UEL) policy to consider whether alternative UEL's should be set for different types of assets.</p>	<p>Ongoing</p> <p>This is a national issue which will not be resolved for a number of years. Once further guidance emerges, we will work with the council to address this matter.</p>

North Ayrshire Council

2022/23 Annual Audit Report

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