

East Ayrshire Council

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of East Ayrshire Council and the Controller of Audit
September 2024

Contents

Key messages	3
Introduction	6
1. Audit of 2023/24 annual accounts	8
2. Best Value	19
3. Financial management	27
4. Financial sustainability	36
5. Vision, leadership and governance	42
6. Use of resources to improve outcomes	45
Appendix 1. Action plan 2023/24	51

Key messages

2023/24 annual accounts

- 1 An unmodified independent auditor's report has been issued for the 2023/24 Annual Accounts of the council and its group and its three section 106 charities administered by the council.
- 2 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 3 The audited part of the Management Commentary, Annual Governance Statement, Remuneration Report and were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Best Value

- 4 Performance reporting is balanced and regularly reported to elected members through a variety of formats. Work has been ongoing throughout the year to refresh the Council's Performance Management Framework document.
- 5 Performance information could be more accessible and understandable for members of the public. Work is ongoing to develop new performance dashboards with the aim to improve the presentation of performance data.
- 6 The council has maintained its focus on continuous improvement and good progress has been made on actions to address the recommendations within the 2022/23 Best Value thematic report on developing the Strategic Plan. Work continues against a number of actions.
- 7 The Workforce Strategy 2022-27 is clearly aligned to the strategic priorities. The council engaged effectively with Heads of Service and Trades Unions when developing its Workforce Strategy 2022-27. Work is underway to capture the skills and development needs of the workforce and work to identify skills gaps is at an early stage.

Financial management

- 8 The council operated within its 2023/24 budget with £8.390 million of service balances utilised in line with the reserves and balances strategy.

- 9 Total usable reserves have increased by £15.852 million to £111.735 million at 31 March 2024. Of this £32 million is earmarked for future service related spend.
- 10 The council has effective financial management processes in place to manage budgets, however, finance reports could be enhanced through the production of standalone financial monitoring reports that provide a clearer summary of the overall council financial position.
- 11 Financial control arrangements are well established, but some improvement actions were identified.

Financial sustainability

- 12 The council have continued to update the medium-term financial strategy throughout the year and have demonstrated a commitment to manage resources effectively over the medium term to support service delivery. The update included a review and updated of the projected £32 million funding gap to 2026/27.
- 13 The council have been innovative in their decisions on the use of one-off resources secured through the exercising of financial flexibilities relating to service concession arrangements and the reduction in employer pension contributions. These will be used to shape the future of the council and its communities, with a focus on early intervention and prevention.
- 14 Elected members approved the first grants to services from the Innovation Fund.

Vision, leadership and governance

- 15 The council's priorities are well established through the Strategic Plan and service improvement plans.
- 16 The council operate in an open and transparent manner. Governance and decision-making arrangements are appropriate and operated effectively.
- 17 The risk management strategy was refreshed during 2023/24 and updated corporate and service level risk registers have been developed.

Use of resources to improve outcomes

- 18 The council's overall service performance in relation to other councils has remained relatively stable over the past five years and has improved since 2010/11. 52% of Local Government Benchmarking Framework (LGBF) indicators were in the top two quartiles in 2022/23.
- 19 Community planning arrangements are well-established and the council works with partners to deliver improvement actions against their collective vision.

- 20** Tackling poverty and reducing inequalities is a strategic priority for the council. The council continue to engage with partners to deliver programmes and initiatives to support communities with a focus on early intervention and prevention. The council has established a £40 million ten-year fund to support children living in poverty and its work to realise benefits from early intervention and prevention.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of East Ayrshire Council. The scope of the audit was set out in an annual audit plan presented to the 18 April 2024 meeting of the Governance and Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of East Ayrshire Council's annual accounts
- conclusions on East Ayrshire 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 board of East Ayrshire Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities and reporting

3. East Ayrshire 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. East Ayrshire 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.

4. 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.

5. 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 East Ayrshire Council from its responsibility to address the issues we raise and to maintain adequate systems of control.

6. 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

7. 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 Governance 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

8. 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 2023/24 audit fee of £0.356 million as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

9. We add value to East Ayrshire 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 2023/24 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 2023/24 Annual Accounts of the council and its group and its three 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, Remuneration Report and were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

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

10. The council approved the annual accounts for the council and its group for the year ended 31 March 2024 on 26 September 2024. As reported in the independent auditor's report:

- 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.

Our audit testing reflected the revised materiality levels

11. 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.

12. 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 level	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 statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2024.	£13.285 million	£13.314 million
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.	£9.300 million	£9.320 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.600 million	£0.600 million

Source: Audit Scotland

Significant findings and key audit matters

13. 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.

14. 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.

15. Our significant findings are detailed in [Exhibit 2](#). In accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management. Amendments were made to the accounting policy and notes for agency services and related parties. The disclosure changes were satisfactory.

Identified misstatements were adjusted in the Annual Accounts

16. We identified misstatements in the unaudited accounts. Further details of these adjustments are within [Exhibit 2](#) and [paragraph 18](#).

17. Management have adjusted the Annual Accounts to correct the identified issues.

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Escrow balances</p> <p>The council held funds of a third party within an escrow account in relation to the decommissioning and restoration of a battery storage site. This was included with trade receivables and trade payables overstating both by £3.95 million.</p> <p>Following discussions with management, other escrow balances were identified increasing the total balance to £4.69 million.</p> <p>Following review, all escrow balances were removed and accounted for as a third-party balance.</p>	<p>Management has made the necessary adjustments in the audited 2023/24 annual accounts. The trade receivables and trade payables decreased by the same value of £4.69 million, having a nil effect on net assets. The adjustments were correctly followed through the cash flow statements.</p>
<p>2. Identification and classification of intangible assets</p> <p>Our testing identified software licences that had been incorrectly capitalised as Property, Plant & Equipment rather than Intangibles with a value of £0.742 million.</p> <p>£0.814 million worth of licences which should have been capitalised were expensed through revenue. This resulted in expenditure being overstated by £0.814 million.</p>	<p>Management have removed intangibles from Property, Plant and Equipment (PPE) reducing PPE by £0.742 million. In addition, following review, a number of software licences were capitalised as intangible assets which resulted in expenditure reducing by £0.814 million.</p> <p>Following a review by council officers of software licences, further changes were processed resulting in Intangibles Assets of £5.487 million being capitalised. A corresponding creditor was created for £3.876 million to reflect the length of contract in place.</p> <p>Management should conduct a detailed review of all software licences to ensure all intangible assets which should be capitalised are included with Non-Current Assets and amortised over their useful economic life.</p> <p>Recommendation 1</p>

Issue	Resolution
<p data-bbox="113 257 874 302">(Refer Appendix 1, action plan)</p> <hr/> <p data-bbox="113 383 727 454">3. Issues with identifying Assets Under Construction</p> <p data-bbox="113 472 852 725">Our testing identified four assets incorrectly classified as operational land and buildings when they should have been within assets under construction. This included an asset still being built that had been included within the revaluation exercise on the basis it had been planned to be operational within 2023/24.</p> <p data-bbox="113 743 762 853">This resulted in classification misstatements, overstatement of depreciation and incorrect revaluation adjustments being processed.</p>	<p data-bbox="874 257 1481 302">(Refer Appendix 1, action plan)</p> <hr/> <p data-bbox="874 383 1481 562">Management made the necessary adjustments resulting in reclassification of £3.541 million between expenditure of operational assets and assets under construction.</p> <p data-bbox="874 633 1481 1037">Management should ensure that the facilities and management service have the necessary arrangements in place for communicating information around capital projects and the resultant impact on estates. This should ensure that finance teams have up to date information on assets under construction. Arrangements should be put in place to identify the point at which assets are no longer operational.</p> <p data-bbox="874 1055 1481 1234">The process for communicating with the valuer on assets under construction should be reviewed to avoid instances of valuing assets that are not operational.</p> <p data-bbox="874 1252 1185 1288">Recommendation 2</p> <p data-bbox="874 1305 1331 1341">(Refer Appendix 1, action plan)</p>
<p data-bbox="113 1424 424 1460">4. Pension Balance</p> <p data-bbox="113 1478 831 1626">The pension balance represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this liability.</p> <p data-bbox="113 1644 839 2051">The council is an admitted 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 data-bbox="874 1424 1481 1534">This is included for information due to the year-on-year movement in the pension balance.</p> <p data-bbox="874 1552 1481 1700">We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

Issue	Resolution
<p>The council's 2023/24 valuation showed an asset of £390.11 million. As required by accounting standards, the asset shown in the council's Balance Sheet has been limited to £0. The amount that can be recognised as an asset is limited to the estimated future service costs less the minimum contribution required, otherwise known as the asset ceiling.</p> <p>The Balance Sheet also includes £39.941 million of unfunded pension benefits which require to be shown separately and are not able to be netted off against the asset position.</p> <p>A prior year adjustment has been made to the 2022/23 Balance Sheet as following the prior year audit certification new guidance was issued to clarify the requirement for the unfunded pension balance to be shown separately as a liability.</p>	

Source: Audit Scotland

Our audit work on non-current asset identified areas for improvement

18. In addition to our findings in [Exhibit 2](#), a number of areas for improvement were identified from our audit work on non-current assets. These included non-material adjustments to the accounts or underlying asset records as well as some improvement actions going forward:

- Classification of land and buildings on the fixed asset register:** The council's asset management system allows the capitalisation of assets as land and building separately or as one asset with a subclassification for land and building. Our testing identified inconsistencies in approach which resulted in an misstatement arising when the system was updated to reflect revaluations. We identified two assets whereby the net book value of the assets was overstated. The council undertook a further review and identified a further six assets, further adjustments were made to amend these. Adjustments totalling £0.687 million have been processed to correct these.
- Group capitalisation of assets and lack of records:** Our testing of the council's non-current assets identified a number of instances where assets have been capitalised as a group and shown on the fixed asset register as one asset. Detailed records of what the individual assets are within the group have not been kept. During 2023/24 the council disposed from their fixed asset register £2.481 million of PPP equipment, however, no records could be provided of what assets were included within this. From a review of the fixed asset register, we have

noted that ICT equipment is capitalised each year as one asset as part of that year's programme. Arrangements should be established to maintain more detailed records of what assets have been capitalised within the grouping.

- **Accounting for Non-Current Assets:** Our testing of the council's non-current assets identified a number of low value entries including assets that are being actively marketed being omitted from Assets Held for Sale note and the omission of an addition and disposal from the fixed asset register. Communication between the estates and the capital accounting team should be reviewed to ensure that all relevant information is provided to ensure records remain up to date.

Recommendation 3

Management should review the arrangements in place for ensuring the underlying asset records are accurate and detailed. Finance officers should work with the estates team to put in place effective arrangements for the notification of any changes to existing assets as well as the acquisition, construction or disposal of any assets currently owned by the council.

Our audit work responded to the risks of material misstatement we identified in the annual accounts

19. 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 2023/24 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</p>	<ul style="list-style-type: none"> • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the 	<p>Results:</p> <p>We assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions and concluded these were appropriate. We made some recommendations for disclosures to be enhanced in line with good practice and</p>

Audit risk	Assurance procedure	Results and conclusions
<p>controls that otherwise appear to be operating effectively.</p>	<p>financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Evaluate significant transactions outside the normal course of business. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments. 	<p>management made necessary amendments.</p> <p>We assessed the design and implementation of controls over journal entry processing. We concluded our review satisfactorily.</p> <p>Journal adjustments were tested, and no indication of management override of controls were found.</p> <p>We reviewed transactions during the year – no issues were identified with significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>We substantively tested cut-off testing for income and expenditure. One minor misstatement of £0.089 million was identified that related to an accrual which had been omitted. Further testing was carried out and confirmed this to be an isolated misstatement.</p> <p>We concluded our accruals and prepayments testing with no issues identified.</p> <p>Conclusion: No instances of management override of controls were identified.</p>
<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</p>	<ul style="list-style-type: none"> • Review the information provided to the valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of management's involvement in the valuation process to 	<p>Results:</p> <p>We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's capital accounting teams work, and the external valuer, confirmed the appropriateness of the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>value of more than £982.654 million as at 31 March 2023. 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>assess if appropriate oversight has occurred.</p> <ul style="list-style-type: none"> • Test the reconciliation between the financial ledger and the asset register. • Evaluate management’s assessment of why it considers that the land and buildings not revalued in 2023/24 are not materially misstated. We will critically assess the appropriateness of any assumptions. • 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>methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management’s assessment that land and buildings not revalued in 2023/24 are not materially misstated, to be 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 recommended further detail was added to the accounting policy to clarify the measurement and valuation basis applied.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluation.</p>

Source: Audit Scotland

20. In addition, we identified “areas of audit focus” in our 2023/24 Annual Audit Plan. This is considered in [Exhibit 2](#) and based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

The unaudited annual accounts were received in line with the agreed audit timetable

21. The unaudited annual accounts were received in line with our agreed audit timetable on 27 June 2024. The Annual Accounts submitted for audit were of a good standard and were supported by underlying working papers. We did experience some delays in receiving key working papers which were requested as part of our working paper checklist which impacted the timing of our audit

work. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

The council's 2023/24 Management Commentary provides a fair and balanced picture of its performance and operational activity for the year

22. The council's Management Commentary that accompanies the Annual Accounts explains how the council has performed against its revised 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 due to budget pressures and demand for services.

23. In our view, the disclosure represents a fair and balanced commentary on the council's performance in 2023/24 and is transparent on the risks it faces in the coming year. This is presented in a user-friendly format which makes good use of relevant infographics that help tell the story of the council's performance in 2023/24. It provides a link between the council's financial reporting and the financial statements.

The Annual Governance Statement provides an appropriate level of disclosure on the council's governance arrangements during 2023/24

24. 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 Delivering Good Governance in Local Government: Framework 2016. The council's Annual Governance Statement complies with this guidance.

25. The draft Annual Governance Statement was presented to the Governance and Scrutiny Committee in April 2024 alongside the council's annual review of the Code of Corporate Governance. As part of our audit, we reviewed the Annual Governance Statement and requested the inclusion of progress against the 2023/24 governance action plan and the incorporation of improvement actions for 2024/25.

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

26. 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.

27. We have no issues to report in relation to the information included within the Remuneration Report in the council's 2023/24 Annual Accounts.

Our audit opinions on Annual Accounts of the three Section 106 charities administered by the council were unmodified

28. In addition to administering several trusts that have non-charitable status, Elected Members of the council are trustees for three registered Scottish Charities:

- East Ayrshire Council Charitable Trusts: charity number – SC025073
- Miss Annie Smith Mair Newmilns Trust: charity number – SC021095
- Archibald Taylor Fund: charity number – SC019308.

29. 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.

30. As a result of the interaction of Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

31. Our duties as auditors of the charities administered by East 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).

32. The Trustees wound up the Archibald Taylor Trust on 13 June 2023 following OSCR approval.

33. We have given an unqualified opinion on the Annual Accounts of the three charities administered by the council. We noted that the East Ayrshire Charitable Trust has not disbursed any funds in recent years and therefore could be considered dormant.

34. We identified a couple of disclosure misstatements and management made appropriate amendments to the audited accounts.

Progress was made on prior year recommendations but further improvements are required for accounting for non-current assets

35. The council has made good progress in implementing the audit recommendations identified in 2022/23 with regards to fully depreciated assets. Management disposed of 123 assets within vehicles, plant and equipment which were found not to be in use anymore. These assets were fully depreciated but had a gross book value of £7.805 million.

36. The council have 221 fully depreciated assets remaining on the fixed asset register with a gross book value of £12.100 million. 215 of these are vehicles which have been confirmed to still be in use. Management should consider their depreciation policy as it suggests vehicles are not depreciated over an accurate useful life. Further details of this recommendation are included in in [Appendix 1](#).

2. Best Value

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

Conclusions

Performance reporting is balanced and regularly reported to elected members through a variety of formats. Work has been ongoing throughout the year to refresh the Council's Performance Management Framework document.

Performance information could be more accessible and understandable for members of the public. Work is ongoing to develop new performance dashboards with the aim to improve the presentation of performance data.

The council has maintained its focus on continuous improvement and good progress has been made on actions to address the recommendations within the 2022/23 Best Value thematic report on developing the Strategic Plan. Work continues against a number of actions.

The Workforce Strategy 2022-27 is clearly aligned to the strategic priorities. The council engaged effectively with Heads of Service and Trades Unions when developing its Workforce Strategy 2022-27. Work is underway to capture the skills and development needs of the workforce and work to identify skills gaps is at an early stage.

Best Value work undertaken in 2023/24

37. For 2023/24 the scope of Best Value work included conclusions on:

- Workforce Innovation (2023/24 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting.

38. Progress made against Best Value improvement actions made in previous years. 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.

Workforce Innovation priorities

39. Annual thematic Best Value work is set by the Accounts Commission. For the 2023/24 financial year, auditors were asked to focus on the workforce innovation within the council. The results of this work were reported to elected members at the Governance and Scrutiny committee in September 2023. This report will be published on the Audit Scotland website soon.

40. The key findings in this report are:

- 1** East Ayrshire Council employs nearly 7,000 people. More than half are aged 45 or over and 75 per cent live in East Ayrshire. It is experiencing high rates of staff absence and is working to reduce its reliance on casual staff. The council has stated that it will need to reduce the size of its workforce to balance its budget in the years ahead and describes its main workforce challenges as being recruitment, development and absence.
- 2** The council's Workforce Strategy 2022-27, developed as part of a suite of key strategies and plans, is clearly aligned to the strategic priorities set out in its Strategic Plan 2022-27. Serviced Improvement Plans currently include workforce information but these should be expanded to reflect and incorporate the priorities from the Workforce Strategy Action Plan.
- 3** The council engaged effectively with Heads of Service and Trades Unions when developing its Workforce Strategy 2022-27. The council plans to incorporate findings from its November 2023 Employee Survey into its Workforce Strategy Action Plan.
- 4** Our 2022/23 Best Value work concluded that the council should improve its understanding of its workforce's skills and learning and this is being taken forward in the Workforce Strategy Action Plan.
- 5** Work by the council to capture the skills and development needs of its workforce and work to identify skills gaps is at an early stage. Real-time workforce data cannot be accessed by managers with ease. The Workforce Strategy Action Plan contains Employee Development Actions. A section of the Workforce Survey also contained questions on Employee Development and work has started on identifying actions from the findings in this area.
- 6** The council's Digital Strategy set out how digital technologies will impact on the communities and services. The council have invested in the technical infrastructure to support the development of practical digital processes. There has been some use of automation within Revenues and Benefits, Waste and Education services and learning from these programmes will support the expansion of digitalisation and automation.
- 7** Indicators to measure its progress are being developed and Digital action plans for each of the five themes in its Digital Strategy 2022-27 were considered and approved by Council on 28 March 2024.
- 8** The council has introduced a new flexible working policy to promote improvements in work-life balance but has not yet reported the impact of these new arrangements on productivity and services. It is working on reducing its reliance on casual and temporary staff. Results from an organisation-wide employee survey on employee satisfaction capture the benefits of hybrid working on employee wellbeing.

- 9** Relationships between the council and Trades Unions are positive but Trades Unions report that staff morale is low due to pressures in delivering services.
- 10** The council has been successful in increasing the number of training opportunities for young people across its services and is using a range of initiatives to develop the skills and capacity of its workforce.
- 11** The council is the Lead Authority for the Ayrshire Roads Alliance shared service with South Ayrshire Council. It also shares a small number of other teams and has introduced innovative flexible roles but has not captured the benefits of these.
- 12** The council monitors the effectiveness of its workforce planning approach through monitoring progress against its Workforce Strategy Action Plan. It has developed workforce performance measures, reported quarterly through East Ayrshire Performs and plans to expand these.
- 13** The council has asked services to identify where long-term workforce reduction or movement could take place to address future financial constraints but they require further support to do this.

41. Within our thematic report, improvement recommendations were made. The audit recommendations made in this report, with the management responses, are included in [Appendix 1](#) of this report. We will report on progress over the term of our audit appointment.

The council has made progress with all recommendations from the prior year Best Value thematic review Report

42. In the prior year, a best value thematic report focussing on the council's leadership of the development of new local strategic priorities was undertaken. The results of this work were reported to the council's elected members at the October 2023 Governance and Scrutiny Committee.

43. In summary we concluded that the council had continued to maintain its strong performance and focus on continuous improvement and that robust arrangements were in place to secure best value.

44. We made five recommendations in our report of the prior year Best Value thematic review on Leadership in the development of the council's strategic priorities. We have reviewed actions taken by the council to address each of these.

- **Reporting progress against the council's strategic plan action plans:** Council received its first update on progress against the Strategic Plan in October 2023 outlining that more regular reporting against the strategic plan and its framework will take place in line with the East Ayrshire Performs cycle. Workforce and medium-term financial strategy linkages have been made to the East Ayrshire Performs report, for example the reporting against financial resilience indicators in September 2023, however, more development work is required to provide a clearer linkage between the reporting within East Ayrshire

Performs to the strategic plan action plan. Other aspects of the strategic framework such as digital have been separately reported alongside the East Ayrshire Performs cycle. We have concluded that arrangements for reporting against the strategic plan have been implemented, however enhancements could be made to reporting arrangements to ensure it is explicit which parts of the strategic plan are being reported against. We would recommend that the council maintain an annual report against the strategic plan which gives detailed updates against each of the strategic plan action plan requirements.

- Performance targets should be specific and measurable:** Since October 2023 officers have been considering how to develop SMART (specific, measurable, achievable, relevant and timely) targets in relation to key performance indicators. The outcomes of this work will be reported in the forthcoming annual update, due in October 2024. The recently approved Local Outcomes Improvement Plan (LOIP) 2024-2027 identifies a high-level stretch aim for each measure, as identified from the community plan, and a visual representation of the performance over time where this is available. Comparisons with national (Scotland) performance are also included, where available. The council acknowledge that the new LOIP is an improvement in the use of data, and that further developments are planned. We have concluded that this recommendation is ongoing and that planned actions are continuing to progress.
- Performance reporting:** Progress has been made over the past year to develop new internal performance dashboards and information from the Pentana system for the Chief Executive and Deputy Chief Executive. Development work has taken place in relation to new Power Bi dashboards which will transform the way key data and performance information is presented to the council's communities and wider stakeholders, including key performance indicators and an updated 'East Ayrshire By Numbers' interface. It is anticipated that the first dashboards will be live on the Council website by the end of the calendar year (December 2024). Work is also being progressed to strengthen the Council's Performance Management Framework document, including building in further guidance in relation to evaluation and benefits realisation, a schedule of reporting and identification of future areas for improvement. We concluded that this recommendation is ongoing and that further developments will be realised over the next year.
- Providing access to the outcomes of consultation exercises:** Progress has been made in strengthening the website pages and content relating to consultation activity. During the budget consultation, officers were able to provide regular updates based on feedback being received, including supplementing a Frequently Asked Questions section to provide additional information throughout the process. Further improvements are planned, and work is ongoing to publish online summaries of feedback received. We concluded that the website content has been improved to provide linkage between consultations

undertaken and outcomes decided. Work continues in developing online summaries of feedback received through consultation activity.

- Equality Impact Assessments:** In the prior year, we had noted that the majority of equality impact assessments were completed after the policy or strategy they related to had been finalised. The council have continued to strengthen Equality Impact Assessment arrangements including the use of an online toolkit over the past year. The council have plans in place for further development work on the toolkit with oversight of this work provided by the Council's Corporate Equalities Strategy Group. We noted that a number of Cabinet papers made available the equality impact assessments as background to the related papers, however these should also be contained within the dedicated EQIA pages on the website. This will make assessments more accessible and help identify when assessments were completed within the process. Key areas where the toolkit was used include the 2024/25 Revenue Budget and related savings proposals, closure of Auchinleck Leisure Centre cross-cutting strategic reviews and the waste management review. On review of the council website, we noted that these equality impact assessments are not available on the website and still had not been unloaded at the time of preparing this report.

Performance reporting on services is balanced with useful commentary. It will be developed further to provide a clear link to strategic priorities

45. The [Best Value: Revised Statutory Guidance 2020](#) sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting.

46. The performance information the council reports is balanced, and the commentary provided against individual indicators is useful. The council reported progress against the priorities it set out in its Strategic Plan 2022-27 for the first time in October 2023.

47. The council's arrangements for reporting performance to committee is well established. Officers and elected members have a good understanding of the performance management reporting arrangements, and this provides a basis for improvement.

48. The council has a dedicated performance management webpage that includes a wealth of information. The council reports its performance to the public in a number of ways via its website:

- East Ayrshire Performs** – Quarterly performance reports are presented to Cabinet and the Governance and Scrutiny Committee. These include information relating to the council's financial performance and selected service performance that include areas of interest to elected members, areas of strong or under-performance, and areas where performance information has become available during the year. They provide up-to-date information on how the council is managing finances and capital projects,

as well as progress in relation to issues such as absence management and health and safety. Performance against selected indicators appears under the heading 'Business Briefings'. Of the four East Ayrshire Performs summary reports produced relating to 2023/24, three have 'Business Briefings' sections.

- **Performance indicators** – The council provides a link to a list of 55 indicators endorsed by the Governance and Scrutiny Committee on 25 April 2019. Performance over the last three years is provided where available. The latest information available is for 2022/23. The council agreed to continue to report on 54/55 of these indicators in 2022/23. In April 2024, the Governance and Scrutiny committee reviewed the Statutory Performance Indicators. In 2023/24, 55 indicators were reported against. The committee agreed to remove three indicators and introduce five new indicators which brings the total number of Statutory Performance Indicators for 2024/25 to 56. The update to the new indicators will be reflected on the performance information page on the council website.
- **Local Government Benchmarking Framework** – A clear and balanced report was presented to the Governance and Scrutiny Committee in April 2024. The report provided analysis of the council's performance against other councils and compares its own performance with previous years for the 84 indicators (out of a possible 104) where data was available at that time. The report provides a focus on areas of good performance, where indicators are classified as being within the top quartile when compared with other Scottish councils. There is also a focus within the report on those performance indicators where performance was reported as being in quartile 4 for 2022/23. Improvement actions are clearly set out for each of these indicators.

The accessibility of public performance reporting information on the council's website could be improved but work is underway to develop new dashboard to support improvements to the presentation of data

49. 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 and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

50. We reported within the prior year annual audit report that the council should review the content of its performance website to ensure it meets the

requirements of the new SPI direction. We identified areas where the council could improve and strengthen its public performance reporting including:

- developing an overarching framework that is publicly available and setting out the purpose of the various performance report (SPI and LGBF reports, EA Performs, LOIP Annual performance report) and how they link together
- including a document describing its overall approach to performance management on its website
- collation of performance information into one source and summaries of performance against the council's own priorities
- improvements in the linkage and updated position of performance on the council website (linking the most up to date service plans on the performance management pages
- make accessible the results of council-wide strategic self-assessments, service-level self-assessments and Best Value service reviews and service redesigns.

51. In 2023/24 updates have been made to both the council and Community Planning websites and further improvements are planned. During 2023/24 the council rolled out Microsoft Office 365 which provided access to additional software such as Power Bi. Work has taken place using new software to develop new dashboards. It is intended that the dashboards will support improvements to the way key data and performance information is presented to communities and wider stakeholders. It is anticipated that the first dashboards will be live on the council website by December 2024. These will include key performance indicators and an updated 'East Ayrshire By Numbers' interface.

52. New data dashboards have recently been created within the existing Pentana system to support the reporting of live performance data to the Chief Executive and Depute Chief Executive. Work is ongoing to progress a refresh of the Council's Performance Management Framework document. This will include building in further guidance in relation to evaluation and benefits realisation, as well as a schedule of reporting and identification of future areas for improvement.

53. A review of existing performance system usage has also taken place in preparation for the transition to an updated version of the performance software. This has included an options appraisal in relation to making the best use of the expanded functionality to further the council's data ambitions.

54. Work is also being progressed to revamp the Council's Performance Management Framework document, including building in further guidance in relation to evaluation and benefits realisation, a schedule of reporting and identification of future areas for improvement.

55. The council has a webpage dedicated to Best Value and performance. It contains links to its last three Best Value audit reports since 2006, but this page does not include any information on how the council has responded to these

reports. There are no links in the performance pages to annual audit reports although these do appear on the council's website as Committee papers. Annual audit reports include a management response to audit actions and a summary of progress against previous actions.

56. Development work to the council's performance webpages will also improve accessibility to assessments that have been carried out on the council by scrutiny and inspection bodies along with the council's response to these assessments.

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 operated within its 2023/24 budget with £8.390 million of service balances utilised in line with the reserves and balances strategy.

Total usable reserves have increased by £15.852 million to £111.735 million at 31 March 2024. Of this £32 million is earmarked for future service related spend.

The council has effective financial management processes in place to manage budgets, however, finance reports could be enhanced through the production of standalone financial monitoring reports that provide a clearer summary of the overall council financial position.

Financial control arrangements are well established, but some improvement actions were identified.

The council operated within its 2023/24 budget with £8.390 million of service balances utilised in line with the reserves and balances strategy

57. The annual budget process started in October 2022, and finance and service departments started to consider options to address the £8 million budget gap identified in the medium-term financial strategy.

58. Services were required to make savings on their overall budget, with the exception of the education service where parts of the budget including teacher numbers pupil equity fund and funding for the 1140 early learning childcare are protected; therefore, their savings were required from the discretionary areas of the budget. Work was undertaken to identify savings proposals and services were required to consider what savings proposals they could commit to achieving. Savings of £2.820 million were agreed across service budgets and it was agreed that council tax would increase by 5%.

59. Council approved revenue budget for 2023/24 was set at £392.832 million in February 2023. The 2023/24 budget included planned savings and other measures as outlined within the revenue budget paper approved by Cabinet in February 2023. A range of workforce savings initiatives were identified from

service reviews and review of vacancies and workforce requirements going forward. The planned workforce actions accounted for £1.422 million of planned savings, with an increase in council tax rates from 3% to 5% generating an additional £1.3 million of income. The remainder of the savings were passed to the East Ayrshire Integration Joint Board and East Ayrshire Leisure Trust with savings of £3.732 million and £0.198 million respectively.

60. Budget adjustments throughout the year resulted in revisions. These adjustments largely relating to internal budget adjustment movements of £8.390 million on service balances and some additional allocations through finance circulars of £11.07 million.

61. The Reserves and Balances Strategy approved by Council on 24 February 2022 allows services to carry forward their underspends arising from managed savings for use in future periods on non-recurring or fixed term projects or to assist in aligning services with resources available over the three-year budget period.

62. In addition, services are required to carry forward sums earmarked against specific initiatives or liabilities. The Strategy requires Cabinet to review and approve balances on an annual basis following the conclusion of the audit of accounts.

63. In 2023/24, two portfolios within the council, education and communities and economy, overspent against their budget. These services are required to carry forward this overspend into the 2024/25 financial year.

64. The education budget remains under continuing pressure and was overspent by £2.824 million at 31 March 2024. The early years and the additional support for learning services both overspent in year. Best value service reviews are being undertaken within early years and additional support for learning however, as a result of in year actions the service have reduced their prior year budget pressure position of £1.027 million to a 2023/24 year-end budget pressure position of £0.418 million. There are increased staff and transport costs within the additional support for learning service due to increasing pupil numbers.

65. The communities and economy budget overspent by £1.299 million with a requirement to earmark £0.250 million taking the final overspend position to £1.549 million. The main pressures relate to an overspend of £1.086 million in waste management services. A review of waste management arrangements has been undertaken with the outcomes of the review approved at Council on the 29 August 2024. The facilities and management budget was overspent by £0.521 million due to increased cost of foods and equipment.

66. Whilst the overall outturn and the usable reserve position is favourable, council services are facing increasing cost pressures and this year reflects, with two service areas overspending against their budget, the fact that difficult decisions will be required going forward to maintain financial balance.

The council exercised the financial flexibilities around service concession arrangements with the intention of using the

retrospective gain arising as an opportunity to invest in intervention and prevention activities aimed at lowering long term demand and future financial pressures and supporting community wealth building.

67. The Local Government Finance Circular 10/2022 provides councils with a time limited option, to override the requirements of the Code of Practice for Local Authority Accounting for service concessions. The circular permits councils to apply an alternative accounting treatment for all service concession arrangements entered into prior to April 2022.

68. Council approved the exercising of the flexibility in February 2024. This will be applied retrospectively with the calculation of debt repayment being on an annuity basis. The impact of this is that charges made previously to the Balance Sheet principal are revised to reflect the useful asset life instead of the contract term. This creates a notional overpayment within the Council's accounts due to the revised debt profile. This does not impact cash benefits of future unitary charge cash payments as this will continue over the existing contract period.

69. However, it does allow the council to increase the general fund reserves by the amount of the retrospective adjustment through a transfer from the Capital Adjustment Account (an unusable reserve). This will reflect the difference between the amount previously written down for debt repayment and the revised amount which is calculated as being £16.717 million. The retrospective gain represented by the adjustment between the usable reserve and general fund is crystallised, or made into cash, through borrowing with this being managed through normal treasury management arrangements. As part of our audit work, we have reviewed the accounting entries and identified no issues with the processing of the flexibility.

70. The council approved the use of the retrospective gain arising from the charge as an opportunity for the council to have a significant resource available to provide and promote early intervention and prevention activities aimed at lowering long term demand and future financial pressures and supporting community wealth building.

General Fund reserves have increased during 2023/24 mainly due to the council exercising financial flexibilities

71. One of the key measures of the financial health of a body is the level of reserves held. The council's usable reserves at 31 March 2024 are £111.735 million. The council's usable reserves of £111.735 million are split across the following reserves at 31 March 2024:

- General Fund balances of £63.391 million
- Housing Revenue account balances of £23.153 million
- Renewal and Repairs Reserve £3.818 million
- Capital Fund £21.373 million

72. 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 Chief Financial Officer and Head of Finance & ICT) 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.

73. The council's general fund reserve includes an unearmarked balance of £11.965 million, representing 3.03% of the council's net expenditure. Management consider that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's Reserves and Balances Strategy, where a commitment was made to maintain a minimum level of uncommitted reserves of 2%.

74. The general fund reserve of £51.426 million, includes £32.004 million committed for service-related spend; £0.728 million for transformation activities and £18.694 million relating to non-cash backed reserves.

75. The general fund reserves increased by £15.852 million in 2023/24 to £111.735 million. The increase in the general fund reserve is attributable to the adoption of the Service Concession Arrangement flexibility. This generated a one off non cashed back gain of £16.717 million as at March 2023. The calculation of the gain for 2023/24 financial year increases the retrospective amount to £18.694 million which will be held as a non-cash backed reserve within uncommitted General Fund Balances.

76. We have considered the councils reserve position and concluded that the council has maintained their general fund reserve levels in line with their reserve and balances strategy.

The Housing revenue account (HRA) reported a small deficit of £0.655 million

77. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision. As at 31 March 2024, East Ayrshire Council owned 12,083 housing units.

78. In February 2023, the council approved a 4% increase in the average weekly rent levels for tenants for 2023/24. In 2023/24, the council recorded a deficit on HRA services of £24.136 million, however following adjustments of £23.481 million through the movement in reserves statement to reflect accounting and funding basis as required by statute, a small movement of

£0.655 million was recorded and reduced the cumulative balance on the HRA at 31 March 2024 to £23.153 million. This will be required for commitments in future years.

79. Over the next five years, the council has a commitment to invest £99.380 million in housing, with £30.428 million being spent in 2023/24. The investment during 2023/24 included the completion of assisted living development and wheelchair accessible bungalows in Mauchline. This development is the council's first net zero housing development and was designed in conjunction with the Health and Social Care Partnership. Net zero will be achieved through build decisions including triple glazed window, solar panels and enhanced building fabric to provide thicker insulation.

There are well-established budget monitoring and reporting processes in place however there could be enhancements to the reporting of financial spend and year end projections through dedicated financial monitoring reports

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.

81. As part of our wider scope audit, we reviewed the financial position of the council and the outturn position compared to the approved budget. On review of the budget setting 2023/24 paper, we were unable to verify the initial approved budget. Finance officers provided a reconciliation to demonstrate the approved budget and the budget movements throughout the year which reflect the final revised budget included in the outturn report.

82. Financial updates are reported quarterly to Cabinet through the East Ayrshire Performs report. This provides updates at a service level on spend, projected service financial outturn, the reasons for the variances and financial challenges and pressures facing the council for the rest of the year. While the report provides a council wide summary as part of the revenue section of the main report and narratively as part of the covering report, we recommend that a review is undertaken of the presentation to consider opportunities to enhance the overall clarity for users of the reports. This provides elected members and other stakeholders with a clearer overall snapshot of the financial position of the council.

83. East Ayrshire Performs has expanded over the years and includes sections beyond financial monitoring including updates on risk, health and safety, complaints, alternative delivery models and people. There is a risk that given the extensive and varied content within the report that financial matters do not receive appropriate challenge and scrutiny.

84. The finance and ICT service has recognised the benefit in reviewing the East Ayrshire Performs report and as part of its service improvement plan approved at Cabinet on 18 September 2024, a key action has been identified to "review the content of East Ayrshire Performs and consider areas for inclusion and deletion in order to provide the most effective and up to date financial and budgetary report to elected members".

Recommendation 4

Financial reports should be reviewed to enhance the clarity with which the overall council position is presented to elected members and other stakeholders as well as to ensure that sufficient focus is retained on financial matters within the range of performance information presented.

Capital expenditure reduced in 2023/24 in comparison to the prior year and further review and re-profiling of the capital investment plan took place in May 2024

85. Total capital expenditure in 2023/24 was £60.011 million, of which £29.582 million related to general services and £30.429 million to the housing revenue account. This is a reduction in overall capital expenditure of £12.533 million when compared to the prior year.

86. The capital activity planned for the education estate was reported as being underspent by £8.164 million at the year end. The main reasons for the variance against budget was:

- Stewarton Academy slippage of £3.464 million project suspended while current designs are reviewed to incorporate growth projections and ensure the sustainability of the building
- Doon Academy slippage of £2.450 million following the project being stepped down due to affordability, service needs and partner funding.
- School meals extension budget of £1.650 million was not required in year.

87. In February 2024 a paper was presented to Cabinet titled 'Building a future East Ayrshire capital investment programme review'. This outlined plans for a review of the capital programme in line with strategic priorities, the medium-term financial strategy and deliverability recognising current financial pressures. In addition, the paper noted that the investment cap in place of 8% of general fund net revenue stream is reached in 2027/28 with future year's capital plans currently breaching the cap and therefore a wider review of the long-term strategic direction of the capital investment programme would take place with the outcome reported to members.

88. The council have reviewed and re-profiled the capital programme in the current and prior year to ensure it continues to remain within the affordability criteria previously agreed. The council have outlined their intention to review the programme on an ongoing basis and where necessary to re-prioritise projects in line with strategic priorities within the financial resources available.

Overall borrowing levels increased at March 2024 mainly due to an increase in short term borrowing

89. At 31 March 2024, long term borrowing stood at £394.437 million a decrease of £8.409 million on the 2023 level of £402.846 million. During the same period, short term borrowing increased from £43.145 million to £77.868 million.

90. The 2023/24 Treasury Management Strategy was approved by Council in February 2023. This identifies that for the period between 2023/24 and 2027/28 the Council required new borrowing of £249.683 million spread across the five-year period. Cabinet approved a re-profiling of the capital investment programme based on affordability indicators and the council's priorities in February 2023 and this increased the new borrowing requirement to £315.1 million.

91. In February 2024, the Treasury Management Strategy for 2024/25 was approved. This identified that for the period 2024/25 to 2028/29 new borrowing requirements of £263.599 million. In May 2024, the capital investment programme was reviewed and updated following review of the cost of borrowing and investment cap considerations that Council approved in February 2023.

92. The review split the capital programme into progressing projects planned for delivery in 2024-2026; critical stage projects with delivery planned for 2026/28 and future programmes due from 2027-2030. As part of the review process some projects were re-phased and capping of capital expenditure was agreed for certain projects.

There are well-established financial control arrangements in place but there are some improvements that could be actioned

93. 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. However, our review and testing of controls did identify a small number of areas where controls could be strengthened:

- A small number of journals were authorised by members of staff not on the journal authorisation list. In response, we reviewed the journal listing to identify if there are any other authorisations by officers not included on the authorisation list. We did not identify any other issues and were able to conclude these were isolated instances. We had discussions with finance officers around these instances and were informed that due to changes in roles or new appointments the respective members of staff should have been included on the journal authorisation list. The list has subsequently been updated.
- Annual reviews of NDR accounts are a key control. As part of our review of controls we were advised that if a customer did not respond to the review letter within fourteen days, the discount/exemption would be cancelled. However, due to resourcing issues and prioritisation of other demands, these reviews have not been carried out in 2023/24. There is

a risk that there are discounts/exemptions continuing to be awarded to customers who are no longer eligible. Management have said that arrangements have now been re-established to review discounts and exemptions to confirm they remain appropriate.

- There is no evidence of monthly payroll checks being carried out prior to the monthly payroll being processed. Our review of the payroll system noted that in January 2024 monthly checks were not carried out until early February. This means that the checks have not been fully carried out prior to the January 2024 payroll being processed and that any errors may not be detected prior to the payroll being processed and would result in corrective action being required in a subsequent month. As part of our audit procedures, we undertook substantive analytical procedures for payroll. We completed our predictions around pay within our tolerable threshold.
- The council updated their responsibility payment procedure in January 2024. As part of our audit work, we reviewed the current log of staff who are in receipt of responsibility payments for extended periods of time with no clear end date in place. We identified 16 individuals who are in this position. Given the small number of council employees impacted by this non-conformance with council procedures we concluded there was no impact upon our audit approach, however, management should review each of these individual cases and put in place arrangements to comply with the policy and resolve each of these long-standing arrangements.
- On review of applications for Council tax discounts and reductions, it was noted that some of the lesser used discount account codes, have not had an application review process in place for a number of years. We would recommend that management put in place arrangements to periodically review all discounts and reductions applied to ensure they remain valid.

94. As noted above, we have undertaken audit work to gain assurances that the areas of control weakness identified do not represent a risk of material misstatement for the audit of the annual report and accounts.

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2023/24

95. 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.

96. We found the council's internal audit to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

97. Internal audit's annual report was presented by the Chief Internal Auditor to the Governance and Scrutiny Committee on 18 April 2024. The report concluded that overall reasonable assurance can be placed on the adequate

and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2024.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

98. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

99. The council has a range of established procedures for preventing and detecting fraud and irregularity including anti-fraud and bribery policies and codes of conduct for members and officers. A report was presented in November 2023 to the Governance and Scrutiny Committee to outline the arrangements in place to conform with the CIPFA Code of Practice on Managing the Risk for Fraud and Corruption.

National Fraud Initiative

100. The council has continued to participate in the biennial National Fraud Initiative (NFI) exercise. This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. We reviewed arrangements in place for the most recent NFI exercise and concluded that the council had satisfactory arrangements in place for the investigation and reporting of data matches identified by the NFI. The 2022/23 exercise concluded during the 2023/24 financial year and the final report was published in August 2024.

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 have continued to update the medium-term financial strategy throughout the year and have demonstrated a commitment to manage resources effectively over the medium term to support service delivery. The update included a review and updated of the projected £32 million funding gap to 2026/27.

The council have been innovative in their decisions on the use of one-off resources secured through the exercising of financial flexibilities relating to service concession arrangements and the reduction in employer pension contributions. These will be used to shape the future of the council and its communities.

Elected members approved the first grants to services from the Innovation Fund.

The council developed a medium-term financial strategy as part of the Strategic Framework in 2022 and updates have been provided to elected members during the year

101. The Medium-Term Financial Strategy 2022-27 was approved in October 2022. It aims to provide clear direction on the financial resources available to deliver the council's priorities. The strategy is the mechanism by which the council will consider and plan for longer term financial issues by providing advance notice of pressures arising, service and demand changes, UK and Scottish Government policy intention and demographic changes.

102. Alongside the workforce strategy, the medium-term financial strategy outlines a need for services within the council to reduce budgets, plan for lower levels of funding and to reduce the workforce over the medium term in anticipation of demographic factors and reducing levels of grant funding.

103. The medium-term financial strategy includes a range of scenarios and assesses the impact of pressures on the council's finances including inflation, the economic climate and estimates on changes to future funding. Officers committed to preparing strategy updates to review and revise the underlying financial and budgetary assumptions at specified points.

104. The strategy outlines underlying assumptions and risk scenarios and forecast a budget gap for each year between 2023/24 and 2026/27. An anticipated budget gap between £7.0 million and £13 million for 2023/24 and between £29 million and £61 million in 2026/27 was outlined. This was calculated on a low, medium and high-risk basis. The budget gap was calculated using weighted assumptions towards best, average and worst-case scenarios.

Exhibit 4

MTFS – cumulative budget gap 2023/24 - 2026/27

Scenario	2022/23 £'million	2023/24 £'million	2024/25 £'million	2025/26 £'million	2026/27 £'million
Best case	2.0	7.0	15.0	22.0	29.0
Mid case	2.0	10.0	23.0	32.0	39.0
Worst case	2.0	13.0	30.0	45.0	61.0

Source: East Ayrshire Council Medium-Term Financial Strategy Update October 2022

105. In October 2023, a medium-term financial strategy and 2024/25 budget strategy paper was presented to Council. This incorporated updates to the medium-term financial strategy including updates to funding and budget gap projections, a review of resilience indicators and further budget considerations. At the same meeting of council, a paper was presented providing an update on the strategic framework. In recognition of the financial challenges ahead, elected members agreed that cross cutting strategic reviews on employability, financial inclusion, wellbeing, children and young people's services and leisure should be undertaken, and that outcomes and recommendations should be reported to members at a future meeting.

106. Following receipt of the December 2023 Local Government Settlement and consideration of other factors impacting upon the council's finances, the council reviewed and revised their budget model for 2024/25 and presented a further paper to council in February 2024. This outlined that although the financial settlement represented a total increase in revenue allocation, it included funding to meet existing and proposed Scottish Government commitments. This resulted in the settlement being lower than the council had budgeted and this increased the savings requirement for the year from £7 million to £9.7 million.

107. The initial £7 million of saving requirements for 2024/25 was allocated across council services (£3.513 million), the East Ayrshire Leisure Trust (£0.181 million) and East Ayrshire Integration Joint Board (£3.306 million). The council's

savings proposals for the £3.513 million could be categorised across a number of themes including workforce planning, income and commercialisation, property estates, digital and net zero.

108. Given the timing of the Finance Circular and the stage of the budget process, the council decided that a centralised approach would be taken to close the remaining £2.7 million gap. All expenditure reduction and income opportunities were to be reviewed to bring the 2024/25 balance into budget.

109. Within the setting the 2024/25 revenue budget paper presented to Cabinet on 28 February 2024 the budget gap projections for the period 2024/25 to 2026/27 have been updated and show a cumulative gap of £32 million to 2026/27 as displayed in [Exhibit 5](#).

Exhibit 5

Updated MTFS projections – cumulative budget gap 2024/25 - 2026/27

	2024/25 £'million	2025/26 £'million	2026/27 £'million
Expenditure	409.0	422.0	433.0
Income	409.0	405.0	401.0
Gap	(-)	(17)	(32)

Source: East Ayrshire Council – Setting the 2024/25 Revenue Budget February 2024

110. The council continues to demonstrate effective financial planning over the medium term with resources being effectively managed to ensure the continued delivery of services. The council have managed the challenge of closing the funding gaps that have arisen in recent years through identifying new savings proposals and continuing to take measures to reduce expenditure. However, it is recognised that it will become increasingly challenging to achieve and maintain financial balance through these measures.

A review of cost and performance information is underway to understand the link between cost and performance

111. A strategic review of cost and performance is underway, utilising the Local Government Benchmarking Framework. The project will analyse the correlation between costs and performance within the Council, looking to reduce costs whilst maintaining or improving performance, based on the analysis of indicators.

112. The project will encompass a comprehensive review of LGBF indicators, identifying East Ayrshire's position in respect of cost and performance to enable a deeper analysis for the reasons behind the Council's performance including, but not limited to, resource allocation, task management, and efficiency metrics. The focus will be on understanding how different cost factors impact overall performance and identifying opportunities for cost optimisation without compromising quality or efficiency.

113. Officers in finance have undertaken work to understand a number of cost indicators, including reviewing financial indicators against Local Financial Returns (LFRs), a series of detailed returns that collect final, audited expenditure figures for all local authorities, and which are published by Scottish Government on an annual basis.

Financial Resilience indicators outlined within the medium-term financial strategy have been updated and presented to elected members at key points throughout the year

114. As part of the medium-term financial strategy the council created a set of resilience indicators. The indicators provide a method of assessing the financial resilience of the council and its ability to anticipate, prepare and respond to the changing financial environment including from internal decisions and external factors. These can predict and provide early warning of issues that are likely to impact upon the Council. To be financially resilient is to have resources available in the time of crisis as well as understanding the level of flexibility the Council has in terms of accessing funds when they are needed.

115. The financial indicators will be used to inform policy decisions, provide early indications of adverse events and provide assurance around the adequacy of the financial resources available to the Council.

116. The financial resilience indicators have been reported a number of times including within the period 4 East Ayrshire Performs report in September 2023 and 2024 as well as within the 'setting the 2024/25 budget' paper in February 2024.

117. The indicators were most recently reported in the September 2024 East Ayrshire Performs report. The information is provided showing a five-year trend analysis which illustrates changes in the financial health of the council.

118. The indicators provide a good reference point for tracking changes in reserve and borrowing levels which will support decisions made in the future around financial plans, savings proposals and investment decisions. [Exhibit 6](#) details the latest financial resilience indicators reported.

Exhibit 6

Ratios/Measures	2019/20	2020/21	2021/22	2022/23	2023/24
Council Reserves & Liquidity (Availability of Resources)					
Level of Usable Reserves	71.482	97.245	99.000	95.883	111.735
Unallocated Reserves	9.423	9.518	9.231	10.825	11.965
Unallocated Reserves as % of GF Reserve	26.11%	17.09%	16.19%	22.03%	18.87%
Earmarked Reserves as % of GF Reserve	73.89%	82.91%	83.81%	77.97%	81.13%
Usable Reserves - GF / GF Net Revenue (%)	16.79%	25.20%	22.52%	19.60%	25.85%
Usable Reserves - HRA / HRA Revenue (%)	30.81%	40.79%	44.93%	51.00%	45.89%
Capital Financing, Investment and Borrowing (Creation of Resources & Gearing)					
Net Direct & Indirect Debt / Net Revenue incl. HRA (%)	136.11%	156.25%	142.17%	138.76%	149.36%
Capital Financing Requirement	545.805	569.089	583.051	622.423	636.342
Ratio of Financing Costs GF to Net Revenue Stream	6.90%	6.31%	6.52%	6.40%	6.74%
Ratio of Financing Costs HRA to HRA Net Revenue Stream	16.71%	17.91%	17.76%	18.51%	18.69%
Gross External Debt	494.643	494.403	496.812	528.041	550.405
Other Ratios					
Education Ratio	37.64%	36.52%	36.88%	38.28%	37.55%
Social Care Ratio	29.10%	28.90%	28.77%	30.74%	30.62%

East Ayrshire Performs, September 2024

The council have established a ten-year fund that is intended to reshape the future

119. Two significant financial events occurred during 2023/24 which enabled the council to establish a reserve to support a programme of change. The first is outlined at paragraph 67-70, whereby the council exercised financial flexibilities in relation to service concession arrangements during 2023/24. This created a non-cash reserve of £16.717 million which as explained in paragraph 69 can be realised through treasury management arrangements.

120. The second follows a review of Strathclyde Pension Fund's asset position of which East Ayrshire Council's non-teaching employees are members. It was determined that for a two-year period, employer contributions, would reduce to 6.5%. This provides the council with a budgeted underspend in each of the two financial years of over £12 million. Combined with the service concession flexibility gives the council a one-off reserve of £40 million.

121. The council have made the decision not to use the funds to support delivery of day-to-day activities. Instead, the funds will be utilised over a ten-year period to support early intervention and prevention activities aimed at supporting communities and providing enhanced opportunities for jobs and skills with the aim of reshaping the future demand on council services.

Good practice: An Innovation Fund has been established to support the review, streamlining and modernisation of council services and processes to achieve long term savings and improved outcomes

122. The council's Innovation Fund was established with a £3 million investment. This will be one-off grant funding that services can apply to access.

It aims to support projects to improve the efficiency, effectiveness and accessibility of council services. As part of this initiative, council officers are invited to submit proposals for projects that bring about tangible improvements in service delivery but also ensure financial savings that will be repaid to the fund at the conclusion of each project. This self-sustaining model allows the council to reinvest in continuous innovation and improvement.

123. Applications are received and assessed in the first instance by the Programme Management Office. Assessments are based on the project's potential to enhance service quality, achieve financial savings and introduce innovative solutions to service delivery challenges. Thereafter, proposals require to be evaluated by the Council Management Team, with the final decision to approved funding to be made by Members. All successful projects receive support from the Programme Management Office, including putting in place project management arrangements and ensuring a rigorous approach to evaluation and benefits realisation.

124. In June 2024, Council approved bids totalling £0.224 million for sustainable material in road construction and education waste and e-learning. The first bid relates to sustainable materials in road construction and secured a bid of £0.150m. The Ayrshire Roads Alliance has been working with the University of Abertay and a design consultant to explore the possibility of machine laying resin materials, as an alternative to bituminous products. This requires the purchase of equipment including a spreader, roller, dumper and mixer which could be adapted to lay resin bound material at a rate similar to that of traditional materials. If the project is successful further business case will be developed in relation to the next steps.

125. The second bid relates to waste and e-learning education and secured a bid of £0.074m. Education services have identified an opportunity to improve recycling and waste management across the learning estate, building on existing work through Litter in Schools, 'Dinnae Forget your Caddy' and 'Love Food, Hate Waste'. This will increase recycling and reduce residual waste, while supporting the Council's environmental goals and Climate Change Strategy ambitions. The funding requested will also be used to support additional development of e-learning, including developing the technology required to offer expanded subject choices across East Ayrshire.

126. All successful projects receive support from the Programme Management Office, including putting in place project management arrangements and ensuring a rigorous approach to evaluation and benefits realisation. Furthermore, in September 2024, Cabinet approved funding for a further five innovation bids with the majority of these focussing on digital.

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's priorities are well established through the Strategic Plan and service improvement plans.

The council operate in an open and transparent manner. Governance and decision-making arrangements are appropriate and operated effectively.

The risk management strategy was refreshed during 2023/24 and updated corporate and service level risk registers have been developed.

The council's priorities are well established through the corporate and service plans.

127. The Strategic Plan 2022 – 2027 outlines the vision, strategy and priorities adopted by the council. This provides a clear vision and strategy which is supported by the 6 strategic themes, each detailing clear priority areas which will help achievement of the overall aims and visions. The council continue to work closely and openly with their partners and the community in achieving this.

128. The action plan progress was reported to elected members in October 2023. This provided an opportunity for performance to be scrutinised. Whilst there are clear and effective mechanisms for scrutinising performance that allows council management and elected members to take informed decisions and measure the impact and service outcomes associated with these, we have recommended that the targets in place for the strategic plan action plan are strengthened to be more specific.

129. The Service Improvement Plans were refreshed in September 2024 for the next three-year period and support the overall Strategic Plan. They are reported to the Cabinet committee annually and the update will provide an outcome (looking back review), position statement against the progress as well as the new plans. This review and actions undertaken allow for continuous improvement and regular updating and monitoring.

Governance and decision-making arrangements are appropriate and operated effectively

130. Members and management of the council are responsible for ensuring effective governance arrangements are in place, to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded. Effective governance arrangements also enable the council to monitor how effectively it is using its resources.

131. The council's governance arrangements have been set out in the annual governance statement in the annual accounts. The Governance and Scrutiny Committee has responsibility for undertaking an annual review of the Code of Corporate Governance and completing an annual self-assessment, with improvement actions set out in an Action Plan to take forward in 2024/25. This review allows the effectiveness of the governance arrangements and this committee to be evaluated to ensure the continued effectiveness of the committee. We have reviewed these arrangements and concluded that they are appropriate and effective.

132. The council has well established governance arrangement in place which support effective scrutiny, challenge and decision making. This is informed by our regular attendance at the Governance and Scrutiny Committee and review of the Council. Cabinet and other committee papers as appropriate.

133. We have concluded that overall, the council has effective governance arrangements in place which support effective scrutiny, challenge and decision making.

The council operate in an open and transparent manner

134. The council has implemented several measures to ensure that the decision-making processes are accessible to the public. These include the publication of meeting agendas, papers, consultation results and video recordings of committee meetings on the council website via YouTube.

135. The council website also provides the public with a wide range of corporate information including details of the council's strategic plan, performance management, equality, and diversity reporting.

Risk Management arrangements were refreshed in April 2024 to establish the Risk Management Strategy for 2024 - 2027

136. The council refreshed their risk management strategy and arrangements in April 2024. This Strategy provides a framework for the development of risk management across the council. The refresh sets the Council's strategic direction for the management of all types of risk for the three-year period up to 31 March 2027. As part of this arrangement and to support the strategy implementation, the Chief Executive chairs the Strategic Risk Officers' Group,

137. Following the strategy refresh, the corporate and service level risk registers were reviewed and revised in line with the new framework model for identifying, assessing, reviewing and reporting of risks on a heat scoring matrix.

138. The Corporate Risk Register continues to be reported as part of East Ayrshire Performs quarterly reports to Cabinet. The first revised risk register, prepared under the new model was reported to elected members in September 2024.

139. The Service Level Risk Registers are reported within the council's electronic performance management system, Pentana. The service level risk registers and those in the performance management system are reviewed by the Strategic Risk Officers Group to ensure there is consistency and linkage between the corporate risk register and the service level risk registers. Both include a note or update on the current position.

140. We have reviewed the refreshed risk management strategy and the new risk registers that have been prepared thereafter. On review we noted that the corporate risk register contains a column outlining the overall risk and mitigation. We would recommend that the outcomes and mitigations are separated within the report to ensure that the mitigations are clearly identifiable.

Cyber Security arrangements have been reviewed as part of the Digital Strategy 2022 - 2027

141. As part of the Digital Strategy 2022-2027 and following the establishment of the Digital Management Board, the council have reviewed and finalised their Cyber Incident Response Plan, Disaster Recovery Plan and Business Continuity Plan. These plans are subject to quarterly review overseen by a dedicated Disaster Recovery and Business Continuity Officer.

142. Last year we reported it would be good practice to put in place measures to test the effectiveness of these plans following their approval. The council have confirmed that while they have not formally put in place plans within the review process to test these plans, elements of the disaster recovery and business continuity plans have been tested this year and recently the ICT department carried out service wide exercise (exercise in a box) to assess the effectiveness of the plans.

143. As of February 2024, 81% of staff had completed the mandatory cyber awareness training within the required review timescale, a 12% increase from the prior 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's overall service performance in relation to other councils has remained relatively stable over the past five years and has improved since 2010/11. 52% of Local Government Benchmark Framework (LGBF) indicators were in the top two quartiles in 2022/23.

Community planning arrangements are well established and the council work with partners to deliver improvement actions against their collective vision.

Tackling poverty and reducing inequalities is a strategic priority for the council. The council have engaged with partners to deliver programmes and initiatives to support communities. The council has established a £40 million ten-year fund to support children living in poverty and its work to realise benefits from early intervention and prevention.

The council's performance from national benchmarking data has remained relatively stable over the past five years and has improved since 2010/11

144. 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.

145. The Improvement Service published the most recent National Benchmarking Overview Report 2022/23. Using this information, the council compiled and presented an annual performance report to the April meeting of the Governance and Scrutiny Committee in 2024.

146. The report highlighted that when performance was compared with other councils, across the performance indicators where data was available, 52.4% were in the top two quartiles (2022/23: 53.7%). Performance has remained relatively stable over the last five years ranging from 49.4% to 56.3%.

Exhibit 7

Percentage of LGBF indicators for East Ayrshire Council in top two quartiles

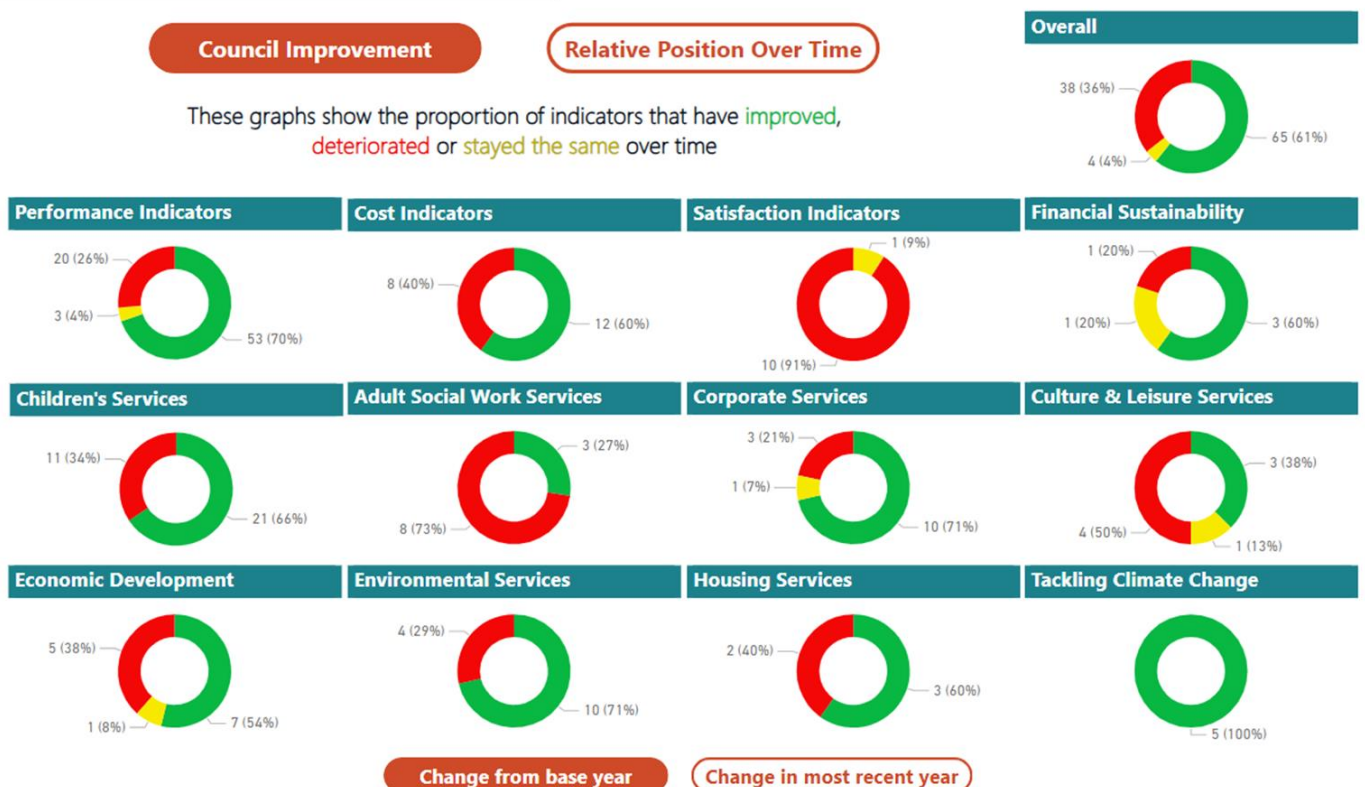
Year	Quartile 1 & 2 Performance
2022/23	52.4%
2021/22	53.7%
2020/21	50.0%
2019/20	56.3%
2018/19	49.4%
2010/11	43.5%

Source: East Ayrshire Council, Local Government Benchmarking Framework

147. When comparing the council's own performance over time, the council reported improving or maintaining performance in 53.7% of LGBF indicators between 2021/22 and 2022/23. When comparing performance between 2010/11 and 2021/22 the council has improved or maintained performance in 67.1% of performance indicators.

Exhibit 8

East Ayrshire Council LGBF Results – trend since base year



Source: Improvement Service: LGBF 2022/23

148. At the time of reporting performance to the Governance and Scrutiny Committee, performance for 84 of the 104 LGBF indicators was available. Of the available indicators, 52.4% were performing within the top two quartiles. In 2022/23, the council had nineteen LGBF performance indicators were ranked within the first quartile, of which thirteen were ranked in the top five in Scotland. These included:

- Percentage of unemployed people who are assisted into work from council operated /funded employability programmes.
- Residential costs per week per resident for people aged 65 and over
- Cost per dwelling of collecting Council Tax
- Percentage of council dwellings meeting Scottish Housing Quality Standard
- Percentage of people aged 65 and over with long term care needs receiving personal care at home.

149. Within the annual performance report presented to the Governance and Scrutiny Committee in April there is review and scrutiny of those performance indicators where performance could be improved. Within the report appendices, a summary has been completed for each indicator noted as performing within the bottom quartile. The report outlines the specific details of the indicator being measured, provides three-year trend analysis for the indicator and planned improvement actions. Improvement actions clearly outline next steps to be taken to support improved performance. We note that further actions will be required in the medium term to continue to drive improvement.

The council has well established community planning arrangements and is continuing to work with partners to deliver improvement actions against their collective vision

150. Our outcomes for public audit note that tackling complex social and environmental challenges requires better collaboration across public bodies, with an increase in the pace and scale of reform needed across the Scottish public sector. While public bodies need to deal with immediate financial pressures, they also need to change how services are delivered to people in a way that more effectively meets their needs.

151. Community planning arrangements are well established in East Ayrshire. During 2023/24, work was concluded to review the Community Plan 2024-27 with a 2024-27 Review Supplement being approved by the Council and Community Planning Partnership in June 2024. Through engagement and consultation with key stakeholders, priority themes of growth, wellbeing, fairness and sustainability have been identified. These reflect the community planning vision and fit well with the overarching community plan 2015-30. These

priorities still fit within the over-arching Community Plan 2015-30 and reflect the Community Planning Vision.

152. The Community Planning Partnership Board and Executive Officers group have committed that over the three period they will:

- Maintaining their commitment to prevention and early intervention
- reviewing and resetting their partnership approach to risk
- strengthening the partnership approach to data.

153. As noted in paragraph 67-70, the council have committed £40 million to be spent over the next ten years on prevention and early intervention or other innovations to benefit communities. Consultation will take place with local communities and community planning partners as to how best to spend this money. The council's decision to spend the £40 million generated from the service concession flexibility and the reduction in employer pension contributions for two financial years shows their commitment to invest resources to improve strategic outcomes.

154. In terms of the priority themes within the community planning priorities of growth, wellbeing, fairness and sustainability, the council have a shared role in delivering priorities. For example, within growth, the council worked in partnership with North and South Ayrshire to secure the Ayrshire Growth Deal and to develop the Community Wealth Building Commission. A ten-year Ayrshire Regional Economic Strategy is in place which provides the opportunity for further partnership work to address economic challenges.

155. The community planning partners have aspirations to maximise the economic potential of towns through town centre investment to encourage visitors but also to re-purpose vacant shops and public buildings as housing, businesses and community spaces. A ten-year plan will be developed to underpin the £20 million investment in Kilmarnock as part of the UK Government's Long-Term Plan for Towns.

156. A key partnership arrangement is in place between East Ayrshire Council and NHS Ayrshire and Arran for the delivery of integrated health and social care provision through the East Ayrshire Integration Joint Board.

157. Caring for Ayrshire is a change programme within Ayrshire that aims to transform health and social care services. In re-designing services there will be opportunities to promote prevention, make use of new technology, provide care and treatment closer to home and within the community whilst reduce non-emergency admissions to hospital.

158. The 2021-30 strategic plan for the East Ayrshire Integration Joint Board is the framework for planning, commissioning and delivery of health and social care services in East Ayrshire and is reviewed annually. The Plan outlines the role of the health and social care partnership and its delivery partners in meeting health and social care needs of communities.

159. The council has well established partnership arrangements in place across community planning partners. The community plan 2024-27 has been developed and there is linkage between the priorities of the community plan and the council's strategic plan, for example building a fairer economy within the strategic plan and the community plan theme of growth.

The council works with its communities to develop services

160. The council's strategic plan introduces its vision by stating 'Our communities are at the heart of everything we do'. Its 'vibrant communities;' are central to its vision: East Ayrshire is a place with strong, safe and vibrant communities where everyone has a good quality of life and access to opportunities, choices and high-quality services which are sustainable, accessible and meet people's needs.

161. It elaborates on its vision in how it wants to work with communities in the following terms: *"As a Council we are committed to place-based working and to community power, ensuring that the people and the communities we serve are at the very centre of our work and are able to shape and influence the services they require. We believe that only by working together with our communities can we achieve our ambitions and address the challenges we face. We want to unlock the skills and talent that exist in our communities and to harness community power to help people to live happier, healthier and longer"*.

162. The council has set out a clear commitment to reducing inequalities with 'Tackling poverty and inequality' being one of the council's six strategic plan priorities. It shares a vision with its community planning partners which signals their intentions for equality of opportunity, choice and access to services.

163. The council is committed to engagement with communities and service users in developing plans and making service changes through the vibrant voices forum. There is a recognition through the council's medium-term financial strategy that financial resources are limited and that the available resources have to be used to maximise effect to progress agreed priorities. The service users and residents have had opportunities to comment or feedback through the budget consultation on planned savings or spending priorities and there have been some instances where changes have been made in recognition of the consultation feedback.

The council have worked with partners to continue their strategic priority of tackling poverty and inequalities

164. In October 2022, the council agreed action plans for all six of its priorities, including tackling poverty and inequality. The tackling poverty and inequality action plan sets out actions for each of the eight tackling poverty and inequality key priorities identified in the Strategic Plan 2022-27. Actions are listed along with intended benefits, associated timescales and who within the Council Management Team is sponsoring that action.

165. The 2022/23 Community Planning Partnership Local Outcomes Improvement Plan Performance Report was presented to partners including the

council in September 2023. A number of actions had taken place to tackle poverty and inequality including:

- the council's financial inclusion team continued to support local residents to maximise their benefit entitlements, and this results in financial gains of £4.9 million for local residents
- the council's active schools team worked in partnership with Ayrshire College to run a six-week family food programme which included cooking lessons and budget advice and sports activities for children.

166. The council continue to look for ways to engage and consult with service users around service provision. The council have demonstrated their continued commitment to tackling poverty and inequality through their strategic plan priorities and their ongoing actions, along with partners.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Intangibles Assets</p> <p>Our audit testing identified instances where software licences were incorrectly capitalised as Property, Plant & Equipment or had been expensed through revenue.</p> <p>These should have been capitalised as intangibles and amortised accordingly.</p> <p>Risk – there is a risk that intangibles are understated and expenditure is overstated with capital related transactions.</p>	<p>Management should conduct a detailed review of all software licences to ensure all intangible assets which should be capitalised are included with Non-Current Assets and amortised over their useful economic life.</p> <p>Exhibit 2 point 2</p>	<p>Management response</p> <p>A full review will be undertaken and procedures enhanced for the recording and accounting of software licences.</p> <p>Responsible officer</p> <p>Deputy Head of Finance</p> <p>Actioned by</p> <p>31 March 2025</p>
<p>2. Issues with identifying Assets Under Construction</p> <p>Assets were incorrectly included within operational Other Land & Buildings which were under construction at 31 March 2024 and were not operational. One asset was also revalued as operational which was still under construction.</p> <p>Risk – There is a risk that assets are revalued and depreciated when they are not operational resulting in inaccurate net book values.</p>	<p>Management should ensure that the facilities and property management service have the necessary arrangements in place for communicating information around capital projects and the resultant impact on estates. This should ensure that finance teams have up to date information on assets under construction. Arrangements should be put in place to identify the point at which assets are no longer operational.</p> <p>The process for communicating with the</p>	<p>Management response</p> <p>Procedures for the update and classification of system records will be reviewed to ensure that a timely record is kept of the continuing operational status of properties.</p> <p>Responsible officer</p> <p>Head of Facilities and Property Management</p> <p>Actioned by</p> <p>31 March 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
	<p>valuer on assets under construction should be reviewed to avoid instances of valuing assets that are not operational.</p> <p>Exhibit 2, point 3</p>	
<p>3. Review of arrangements for maintaining non-current assets</p> <p>Audit work on non-current assets identified a number of improvements that could be made to enhance the underlying non-current asset records. This included consistency in approach in the classification of land and building on the asset register; maintaining sufficiently detailed records of assets capitalised as a group and ensuring regular information sharing between finance and estates on any changes to the asset base of the council.</p>	<p>Management should review the arrangements in place for ensuring the underlying asset records are accurate and detailed. Finance officers should work with the estates team to put in place effective arrangements for the notification of any changes to existing assets as well as the acquisition, construction or disposal of any assets currently owned by the council.</p> <p>Paragraph 18</p>	<p>Management response</p> <p>A review of the systems in place and evidence retained to support some minor areas of non-current asset classification and recording will be undertaken to enhance existing procedures.</p> <p>Responsible officer</p> <p>Head of Facilities and Property Management and Deputy Head of Finance</p> <p>Actioned by</p> <p>31 March 2025</p>
<p>4. Financial reporting</p> <p>Financial updates through East Ayrshire Performs provides updates at a service level on spend, projected service financial outturn, the reasons for the variances. While the report provides a council wide summary as part of the revenues section of the main report and narratively as part of the covering report, the presentation could be enhanced to make the overall financial position of the council clearer to stakeholders.</p>	<p>Financial reports should be reviewed to enhance the clarity with which the overall council position is presented to elected members and other stakeholders as well as to ensure that sufficient focus is retained on financial matters within the range of performance information presented.</p> <p>Paragraph 84</p>	<p>Management response</p> <p>The Finance and ICT service has already recognised the benefit in reviewing the East Ayrshire Performs report and has as part of its service improvement plan approved at Cabinet on 18 September 2024 a key action point to “Review the content of Easy Ayrshire Performs and consider areas for inclusion and deletion in order to provide the most effective and up to date financial and budgetary reporting to Elected Members”.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk – Financial reports to members don't provide clear focus of the financial overview and oversight they require to effectively scrutinise the information presented.</p>		<p>Responsible officer Deputy Head of Finance</p> <p>Actioned by 31 March 2025</p>

2023/24 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>BV 1. Reflecting workforce planning actions in service improvement plans</p> <p>The council updated its service improvement plans before the Workforce Strategy Action Plan was finalised and so they do not reflect its actions.</p> <p>Risk – Workforce planning actions that could be taken forward by services are overlooked</p>	<p>The council should ensure that actions from the Workforce Strategy Action Plan are reflected in the new service improvement plans being developed in 2024.</p>	<p>Management response</p> <p>The Service Improvement Plans being developed for 2024 will include consideration of Workforce Planning priorities within each services action plan.</p> <p>Responsible officer Head of People and Culture</p> <p>Actioned by 30 September 2024</p>
<p>BV 2. Expanding the range of workforce planning information used to make decisions</p> <p>Work by the council to capture the skills and development needs of its workforce and work to identify skills gaps is at an early stage. Real-time workforce data cannot be accessed by managers with ease.</p> <p>Risk – Workforce planning decisions are made based on incomplete information</p>	<p>The council should expand the range of workforce planning information it collects and reports to include the skills, learning and development needs of its staff. It should progress the development of real-time workforce planning data reporting for managers to aid decision-making.</p>	<p>Management response</p> <p>Digital Solutions are being progressed to track and monitor skills, learning & development needs and these will be incorporated into future reviews of the workforce plan. Real-time Workforce Planning data is being progressed and we would hope to have this established by early 2025.</p> <p>Responsible officer People and Culture Manager [Workforce & Future Skills] and People and Culture Manager</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>BV 3. Using digital technology to increase workforce productivity and benefits</p> <p>The council could be clearer about how it plans to use digital technology to shape its workforce of the future.</p> <p>Risk – Benefits from the use of digital technology are not fully realised</p>	<p>The council should clearly outline how it plans to use digital technology to shape its workforce of the future and demonstrate what workforce benefits and productivity gains have been made through its use of digital technology.</p>	<p>Management response</p> <p>Work to embed digital efficiencies has already begun within Service and this will continue having regard to the financial and workforce challenges. Presentations have been made to the Council Management Team on how the use of digital technology can support effective service delivery while also producing financial savings. Similar presentations and reports have been made to Elected Members and Council. The Digital Management Board (DMB), will liaise with Heads of Service to support digital change and build upon the successful work of the earlier projects.</p> <p>The DMB will produce digital workplans and will help services resource the digital change to deliver service based digital efficiencies. These will be linked to the Council's Workforce Strategy and Medium-Term Financial Strategy to ensure that efficiencies can be demonstrated and quantified.</p> <p>Responsible officer</p> <p>Depute Head of ICT and Digital</p> <p>Depute Head of Finance</p> <p>Supported by the Head of People and Culture in respect of workforce matters</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>BV 4. Measuring the impact of changes to working arrangements on staff</p> <p>The council has introduced a new flexible working policy to promote improvements in work-life balance but has not yet captured the full impact of these new arrangements.</p> <p>Risk – Benefits from changes to working arrangements of staff are not optimised</p>	<p>The council should measure the full impact of changes to working arrangements of staff. This could include productivity, service quality, costs and other measures. The council should then use these findings, alongside existing monitoring, to inform improvements to maximise job satisfaction and productivity.</p>	<p>Actioned by</p> <p>May 2024 with efficiencies demonstrated as part of the 2025/26 revenue budget process.</p> <hr/> <p>Management response</p> <p>Current flexible workstyle arrangements are kept under review, with a full review of the policy due in April 2025 in line with the Policy Review Schedule. Appropriate measures will be identified such as ensuring customer response times remain unaffected, where less buildings has led to a reduction in costs etc.</p> <p>Responsible officer</p> <p>Head of People and Culture and People and Culture Manager [HR & Payroll]</p> <p>Actioned by</p> <p>April 2025</p>
<p>BV 5. Capturing the learning from shared roles and functions</p> <p>The council is the lead authority for the Ayrshire Roads Alliance with South Ayrshire council. It also shares a small number of other teams and has introduced innovative flexible roles but has not captured the benefits of these.</p> <p>Risk – Learning from sharing roles and functions will not be applied when developing similar arrangements in the future</p>	<p>The council should capture learning from its shared roles and functions and the establishment of flexible roles to apply when developing similar arrangements in the future.</p>	<p>Management response</p> <p>A review of the current flexible role model is underway and output from this will be used to increase and develop good practice, expand where appropriate and future consideration of this mechanism.</p> <p>Responsible officer</p> <p>Head of People and Culture</p> <p>Actioned by</p> <p>September 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>BV 6. Monitoring the impact of workforce planning</p> <p>The council is working to develop more measures to capture the effectiveness of its workforce planning.</p> <p>Risk – The council does not know whether its workforce planning approach is making a difference</p>	<p>The council should consider using tools developed by the Improvement Service help measure impact and identify workforce planning improvements.</p>	<p>Management response</p> <p>The Council will review the tools developed by the Improvement Service for measuring impact of the workforce plan and will incorporate into our current measurements where appropriate.</p> <p>Responsible officer</p> <p>Head of People and Culture and People and Culture Manager [Workforce & Future Skills]</p> <p>Actioned by</p> <p>March 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Revaluation programme</p> <p>The council currently have a five-year revaluation programme which focusses on one classification of assets each year.</p> <p>Risk – There is a risk that asset valuations move by a significant value between formal valuation review dates, and this results in a material misstatement to the non-current asset valuations on the Balance Sheet.</p>	<p>The council review their revaluation programme and take a cyclical approach which would involve annual revaluations of a proportion of each class of non-current assets. This will provide management with assurance that all classes of non-current asset valuations on the balance sheet remain appropriate every year.</p>	<p>Implemented</p> <p>Management have revised their revaluation programme to revalue assets on a cyclical basis with 20% of the portfolio being revalued each year rather than individual categories in alternating years. This has been accurately reflected in Note 12 Property, Plant and Equipment disclosure and the Accounting Policies Note.</p> <p>We did not identify any material misstatements as a result of valuations.</p>
<p>b/f 2. Asset register – fully depreciated assets</p> <p>Where assets are no longer in use they should be formally</p>	<p>Where fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life.</p>	<p>In progress</p> <p>Management conducted a review of all fully depreciated assets and identified 79</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>scrapped or sold. Assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p>Risk – Depreciation charges are not being correctly made to user services.</p>	<p>March 2024</p>	<p>assets that were not in use. These assets were within vehicles, plant and equipment and were fully depreciated but had a gross book value of £10.576 million and have subsequently been disposed of.</p> <p>There remains 221 fully depreciated assets on the Fixed Asset Register with a gross book value of £12.100 million. 215 of these are vehicles which have been confirmed to still be in use. Management should consider their depreciation policy as it suggests vehicles are not depreciated over an accurate useful life.</p> <p>Para 35-36</p> <p>Management response</p> <p>This is significantly complete. Consideration will be given to the policy as part of the 2024/25 Annual Accounts process.</p> <p>Responsible Officer</p> <p>Deputy Head of Finance</p> <p>Actioned by</p> <p>31 March 2025</p>
<p>b/f BV 1. Strategic plan progress reporting</p> <p>The strategic framework and action plan to monitor progress against the strategic plan were approved in October 2022. The first report to elected members outlining progress against the Strategic Plan will be presented to elected members in October 2023.</p>	<p>Arrangements for reporting regularly to elected members and the public on progress against the Strategic Plan will be set out in a report to the full Council in October 2023.</p> <p>Chief Executive</p> <p>December 2023</p>	<p>Implemented</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f BV 2. Performance targets should be specific and measurable</p> <p>Targets set out in the Strategic Plan Action Plan tend to be fairly high level, rather than specified numbers. Only two targets include a specific percentage.</p>	<p>The performance targets for measuring progress against the key actions in the Strategic Plan will be included in future reports to elected members.</p> <p>Chief Executive December 2023</p>	<p>Work in progress Work has been undertaken since October 2023 to consider SMARTer targets in relation to the Key Indicators contained within the Strategic Plan. This builds on the work that was completed in June 2024 to develop a new Local Outcomes Improvement Plan 2024-2027 that includes stretch aims or targets for all measures and indicators.</p> <p>Revised action: The outcomes of the work to develop SMARTer indicators, including targets where appropriate, will be reported in the forthcoming annual Strategic Plan update, due in October 2024.</p> <p>Responsible officer Head of Corporate Support</p> <p>Revised date October 2024</p>
<p>b/f BV 3. Performance reporting</p> <p>The council ensures a lot of performance information is made available on its website but does not have a document describing its overall approach to performance management. Performance information tends to be dispersed across a number of documents. It would be beneficial to have one source which helps users to form an overall view. The council has not yet reported progress against the priorities it set out in its Strategic Plan 2022-27, published in June 2022.</p>	<p>Strengthened public performance reporting arrangements, building on existing practice and improving the availability of performance information will be developed over 2023/24. Initial work will focus on improving existing content with further work to explore opportunities for increased use of new digital technology.</p> <p>Chief Executive 2023/24</p>	<p>Work in progress</p> <p>Updates have been made to both the Council and Community Planning Partnership websites to strengthen our public performance reporting and further improvements are planned for 2024/25.</p> <p>Development work has taken place in relation to new Power Bi dashboards which will transform the way that key data and performance information is presented to our communities and wider stakeholders.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>There are a few instances where information on the council's performance webpages is not up to date.</p>		<p>New data dashboards have been created to support the Chief Executive and Depute Chief Executive to access live performance data relevant to their Service portfolios.</p> <p>Work is also being progressed to strengthen the Council's Performance Management Framework.</p> <p>Revised action</p> <p>Strengthened public performance reporting arrangements including enhanced public facing web content, interactive data dashboards and a refreshed Performance Management Framework is scheduled to be completed by December 2024</p> <p>Responsible officer</p> <p>Head of Corporate Support</p> <p>Revised date</p> <p>December 2024</p>
<p>b/f BV 4. Providing access to the outcomes of consultation exercises</p> <p>Responses to consultation exercises run by the council are not easy to find on its website. The council's consultation webpage does not currently include links to the outcomes of each completed consultation.</p>	<p>Strengthened website content relating to consultation activity will be developed using a new engagement platform purchased by the council in August 2023.</p> <p>Chief Executive</p> <p>2023/24</p>	<p>Implemented</p>
<p>b/f BV 5. Equality impact assessments</p>	<p>Proposals to strengthen arrangements for systematic and routine completion of</p>	<p>Work in progress</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The majority of equality impact assessments from the last 18 months were completed by the council after the policy or strategy concerned had been finalised. Information on how EQIAs are conducted on the council's website is out of date.</p>	<p>EQIAs were approved by the Council Management Team and Corporate Equalities Strategy Group in August 2023 and will be implemented over 2023/24.</p> <p>Chief Executive 2023/24</p>	<p>Improvements to EQIA arrangements, including the online EQIA Toolkit, have been made over 2023/24 and further work is proposed.</p> <p>Key areas where EQIAs have been undertaken using the Toolkit in the last year include, the 2024/25 Revenue Budget and related savings proposals, closure of Auchinleck Leisure Centre and the review of Waste Management Services.</p> <p>Revised action</p> <p>To progress further development work on the EQIA toolkit to incorporate the new duties around Consumer Rights and the UNCRC.</p> <p>Responsible officer</p> <p>Head of Corporate Support</p> <p>Revised date</p> <p>March 2025</p>

East Ayrshire Council

2023/24 Annual Audit Report

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