

# South Ayrshire Council

2023/24 Annual Audit Report



 AUDIT SCOTLAND

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

---

# Contents

---

Key messages	3
Introduction	5
1. Audit of 2023/24 Annual Accounts	7
2. Best Value	17
3. Financial management	23
4. Financial sustainability	32
5. Vision, leadership and governance	37
6. Use of resources to improve outcomes	40
Appendix 1. action plan 2023/24	44

---

# 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 the four section 106 charities administered by the council. The accounts show a true and fair view of the council's financial position.

## Best Value

- 2 The council has made good progress with prior year Best Value recommendations. There has been greater strategic focus on improving the pace of change at the council.
- 3 An audit review of the council's workforce planning reflects positively on the arrangements in place and identifies areas of good practice. The council recognises that it needs to make workforce planning more strategic and workforce planning is one of the council's new Transformational Change Board's projects.
- 4 The council is now systematically measuring and reporting on its performance across its strategic priorities. Good progress has been made in completing actions in year one of the Council Plan.
- 5 The council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. The framework has been used in the service planning process and will be rolled out to individual services during 2024/25.

## Financial management

- 6 The council operated within budget in 2023/24. Reserves of £19.671 million were used to achieve this. Total usable reserves are now only £42 million.
- 7 The council's approved reserves strategy is to maintain unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. At 31 March 2024, the council's unearmarked balance of £4.444 million represents 1.76 per cent of the expenditure budget of £252 million for 2024/25, out with this range. A review of the council's general fund was undertaken in 2024/25 to re-establish its unearmarked balance in line with its reserves policy.

- 8 The council should ensure that all projects in its capital programme are supported by up-to-date business cases. To comply with the council's capital management processes, the revised business case to support its expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be prepared and reported.

## Financial sustainability

- 9 The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. The underlying service cost base is not sustainable.
- 10 The council has in place a medium-term financial plan (MTFP) which covers the five-year period to 2028/29. The plan is subject to annual review and aligns financial decisions with the strategic priorities in the Council Plan.
- 11 The latest update to the MTFP shows a cumulative budget gap of £45.7 million. Savings of £28.826 million need to be delivered in 2025/26 and 2026/27. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.
- 12 The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.

## Vision, leadership and governance

- 13 In response to its November 2023 [Controller of Audit](#) report the council revised its strategic approach to "*Shaping Our Future Council*." As part of the approved changes the leadership capacity within the council was increased. This aims to support the council in the delivery of its Best Value responsibilities.
- 14 Generally, there is openness and transparency within the council together with appropriate governance and decision-making arrangements.

## Use of resources to improve outcomes

- 15 There has been regular reporting of the council's progress with its Council Plan priorities. Good progress has been made in completing actions for year one of the plan.
- 16 The council's overall performance, taken from national benchmarking data, shows an improving position year-on year.

---

# Introduction

---

**1.** Fiona Mitchell-Knight (Audit Director) has been appointed by the Accounts Commission as auditor of South Ayrshire Council for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of her five-year appointment. Her appointment coincides with the Code of Audit Practice which was introduced for financial years commencing on or after 1 April 2022.

**2.** We would like to thank councillors, senior management, and other staff, particularly those in finance, for their cooperation and assistance this year.

**3.** This report summarises the findings from the 2023/24 annual audit of South Ayrshire Council (the council). The scope of the audit was set out in our [Annual Audit Plan](#) presented to the 20 March 2024 meeting of the Audit and Governance Panel. This Annual Audit Report comprises:

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

**4.** This report is addressed to the members of council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Responsibilities and reporting.

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

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

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

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

### **Communication of fraud or suspected fraud.**

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

### **Auditor Independence.**

**10.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £347,280 (including £1,150) for the audit of the charitable trusts administered by the council) 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.

**11.** We add value to the council by:

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

---

# 1. Audit of 2023/24 Annual Accounts

The council is 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 the four section 106 charities administered by the council.

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

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

---

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

**12.** The Annual Accounts for the council and its group for the year ended 31 March 2024 were approved by the Audit and Governance Panel 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.

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

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

14. The unaudited Annual Accounts were received in line with our agreed audit timetable on 28 June 2024. The Annual Accounts submitted for audit were of a good standard and supporting working papers were reasonable. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

## Our audit testing reflected the calculated materiality levels.

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

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

---

### Exhibit 1 Materiality values for the council and its group

Materiality	Council	Group
<b>Overall materiality:</b> 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 per cent of gross expenditure as at 31 March 2024.	£12.215 million	£12.225 million
<b>Performance materiality:</b> 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 65 per cent of overall materiality.	£7.940 million	£7.945 million
<b>Reporting threshold:</b> 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

---



## Identified misstatements were adjusted for in the Annual Accounts.

**17.** We identified misstatements in the unaudited Annual Accounts. Further details of these adjustments are included in [exhibit 2](#).

**18.** Management have adjusted the Annual Accounts to correct the identified issues.

## We have significant findings to report on our audit of the Annual Accounts.

**19.** Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to members, including our view about the qualitative aspects of the council's accounting practices.

**20.** The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

**21.** Our significant findings are detailed in [exhibit 2](#).

**22.** The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

**23.** In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

---

### Exhibit 2

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

Issue	Resolution
<p><b>1. Accounting for property, plant, and equipment</b></p> <p>Our testing of the council's property, plant and equipment identified three primary schools, now part of the Maybole Community Campus, that were not appropriately updated in the fixed asset register.</p> <p>Additionally, it was identified that a primary school, now part of the Prestwick North Educational Campus, remained on the fixed asset register after it was no longer operational.</p>	<p>Management have received revised valuations for these assets and updated the audited Annual Accounts. These adjustments resulted in a net decrease to the long-term assets balance of £3.436 million with a corresponding decrease in unusable reserves.</p>

---

Issue	Resolution
<p><b>2. Pension balance</b></p> <p>The funded 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>The council is a member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates, and mortality estimates.</p> <p>The council's 2023/24 valuation showed a funded asset of £305.635 million (2022/23: asset of £265.031 million).</p> <p>As required by accounting standards, the amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.</p> <p>The asset shown in the council's Balance Sheet has been limited to £0 for 2023/24 (2022/23: asset of £22.566 million).</p> <p>Additionally, the council's Balance Sheet includes an amount for discretionary enhancements to retirement benefits e.g. payments for early retirement. These are referred to as unfunded liabilities as they are paid by the council rather than the pension fund. Although they are treated the same way as retirement benefit costs as explained above, the council does not have a right to set off the unfunded liability against a pension asset. The unfunded liability recognised in the council's Balance Sheet is £25.037 million (2022/23: £25.772 million).</p>	<p>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

## Other matters identified from our audit of the Annual Accounts.

24. In addition to our findings in [exhibit 2](#) above, the following were identified through our audit testing:

- **Asset register - fully depreciated assets (at nil net book value):** Where assets are no longer in use they should be formally scrapped or sold. Significant assets continuing in use should be revalued and depreciated over their remaining useful economic life. Our review of the asset register identified that there are around 350 assets with an original cost and accumulated depreciation of £31.345 million. The council should undertake a review of these assets (**Recommendation 1** - [Appendix 1](#), action plan).
- **Common good:** The council rents properties from the Common Good. The rental agreements state that the rent should be reassessed every five years. This ensures the council pays a fair market rate for use of the properties. Our testing identified two instances where the agreements had not been reassessed since 2011 and 2016 respectively. There is a risk that the Common Good has lost income because of outdated market rates being applied. The council should review these arrangements (**Recommendation 2** - [Appendix 1](#), action plan).

## The council's revaluation approach for assets will be revised for 2024/25.

25. In our [2022/23 Annual Audit Report](#) we recommended the move to a matrix approach to asset valuations whereby a percentage of each class of asset is revalued each year. For 2023/24 the council has adopted a hybrid approach and will move the suggested matrix approach from 2024/25. For this year, the council revalued those assets that had still to be covered by its five-year rolling programme together with a sample of assets from other asset categories e.g. schools.

26. We reviewed the approach adopted by management in 2023/24 and are satisfied that the assets covered by this year's valuation programme have provided sufficient evidence that there was no indication of material movements with those assets not subject to a revaluation in 2023/24.

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

27. 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><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p><b>Results:</b> Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found arrangements in place were satisfactory.</p> <p>We assessed the design and implementation of controls over journal entry processing. No issues were identified.</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 tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p><b>Conclusion:</b> No instances of management override of controls were identified.</p>
<p><b>2. New financial ledger</b></p> <p>In April 2023 South Ayrshire Council transferred to the new ledger system Oracle Fusion. This involved a significant data migration</p>	<p>Assess the design and implementation of controls within the new system.</p> <p>Assess the results of our other audit testing for any evidence of issues with the operation of the new system.</p>	<p><b>Results:</b> Our review of the design and implementation of controls within the new system did not identify any issues that would result in a significant risk of material misstatement to the Annual Accounts. However, as detailed at <a href="#">paragraph 97</a>, in</p>

Audit risk	Assurance procedure	Results and conclusions
<p>from the previous system to Oracle Fusion.</p> <p>The system is now fully operational, processing all transactions for the council. The new system will be used for the production of the 2023/24 financial statements.</p> <p><b>Risk:</b> Increased risk of errors or misstatement in the financial statements following the migration to the new system.</p>		<p>year-issues were noted that have since been rectified.</p> <p><b>Conclusion:</b> The new system was used to produce the 2023/24 Annual Accounts. No issues were identified with the accuracy and completeness of the data used from the system.</p>
<p><b>3. Significant estimation and judgment: other land and buildings, council dwellings and schools PPP valuations</b></p> <p>The council held other land and buildings, including its council dwellings and school PPP estate, with a net book value of £714 million as at 31 March 2023.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets. As such, valuations are changing to</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Critically evaluate the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Test the reconciliation between the financial ledger and the asset register.</p> <p>Evaluate management's assessment of why it considers that the land and buildings not revalued in 2023/24 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>Critically assess the adequacy of the council's disclosures</p>	<p><b>Results:</b> We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation team's work, and the external valuer, confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process.</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 found that appropriate disclosures have been made</p>

Audit risk	Assurance procedure	Results and conclusions
<p>a matrix approach in 2023/24 for the first time.</p> <p><b>Risk:</b> Valuations of these assets are materially misstated.</p>	<p>regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</p>	<p>regarding the assumptions in relation to the valuation of land and buildings.</p> <p><b>Conclusion:</b> No issues were identified with the assumptions applied to the revaluations. There is no evidence of material misstatement of asset values.</p>

Source: Audit Scotland

**28.** In addition, we identified the pension balance as an “other area 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 issues which we need to bring to your attention.

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

**29.** The council’s Management Commentary that accompanies the Annual Accounts explains how the council has performed against its budget. The council has included a good level of disclosure on the principal risks it is facing going forward. This includes details on the challenging financial environment the council is operating within due to budget pressures and demand for services.

**30.** In our view, the 2023/24 disclosure represents a fair and balanced commentary on the council’s performance during the year and is transparent on the risks it faces in 2024/25. 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 and provides a clear link to the figures in the financial statements.

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

**31.** 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.



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

**32.** 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.

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

## **Progress has been made on prior year audit recommendations relating to the Annual Accounts.**

**34.** The council has made some progress towards implementing the three agreed prior year recommendations relating to the Annual Accounts. The Best Value recommendations are considered in the next section of this report. For actions not yet completed, full implementation is planned for 2024/25 as recorded in [Appendix 1](#).

## **Our audit opinions on the Annual Accounts of the four section 106 charities administered by the council are unmodified.**

**35.** In addition to administering several trusts that have non-charitable status, Elected members of the council are trustees for four registered Scottish charities:

- South Ayrshire Charitable Trust: charity number - SC045677
- South Ayrshire Council Charitable Trusts: charity number - SC025088
- McKechnie Trust: charity number - SC012759
- David Elder Edward Fund: charity number - SC016728

**36.** 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 council's balance sheet.

**37.** As a result of the interaction of the 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.

**38.** Our duties as auditors of the charities administered by South 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).

**39.** We have given an unqualified opinion on the Annual Accounts of the four charities administered by the council.

**40.** We have one matter to report under ISA (UK) 260 (*Communication with Those Charged with Governance*) or ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). This is in relation to the David Elder Edward Fund (the fund). After receipt of the unaudited Annual Accounts, management made us aware that the investments balance for the fund had not been updated to reflect the 31 March 2024 valuation. We reviewed the valuation report and management have updated the Annual Accounts accordingly. This resulted in an increase of £0.034 million to the investments balance of the fund.



---

## 2. Best Value

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

---

### Conclusions

The council has made good progress with prior year Best Value recommendations. There has been greater strategic focus on improving the pace of change at the council.

The council is now systematically measuring and reporting on its performance across its strategic priorities. Good progress has been made in completing actions in year one of the Council Plan.

The council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. The framework has been used in the service planning process and will be rolled out to individual services during 2024/25.

An audit review of the council's workforce planning reflects positively on the arrangements in place and identifies areas of good practice. The council recognises that it needs to make workforce planning more strategic and workforce planning is one of the council's new Transformational Change Board's projects.

The council complies with the requirements of the Statutory Performance Information Direction.

---

### Best Value work in 2023/24.

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

**42.** As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2023/24 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on "*Workforce Innovation - how councils are responding to workforce challenges.*"

- Progress made against Best Value improvement actions made in previous years, including with the findings made in the November 2023 [Controller of Audit](#) report on the council.
- Council service performance improvement.
- Effectiveness of council performance reporting.

**43.** 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 - how councils are responding to workforce challenges.**

**44.** This year auditors were asked to focus on how the council is responding to current workforce challenges through building capacity, increasing productivity and innovation within its workforce. The results of this work were [reported](#) to the council's elected members at the March 2024 Audit and Governance Panel.

**45.** The key findings in this report were as follows:

- 1** South Ayrshire Council employs 6,052 staff. The council's Corporate Workforce Plan covers the period 2022-25 and includes a detailed action plan. The council recognises that it needs to make workforce planning more strategic and workforce planning is one of the council's new Transformational Change Board's projects. The council is testing out directorate-level workforce planning.
- 2** The Corporate Workforce Plan 2022-25 features a comprehensive range of data, including age profiles, details of casual staff used and absence statistics. It also sets out and draws themes from workforce intelligence provided by each service. The council should now develop performance measures to capture the impact of its workforce planning approach to help it monitor progress, particularly in strategic priority areas.
- 3** The council consulted with Heads of Service and Trades Unions when developing the Workforce Plan. To ensure support for its future workforce developments, the council has also engaged openly with staff groups and Trade Unions on areas of service change.
- 4** Links between the Corporate Workforce Plan 2022-25 and the Council Plan, Digital and ICT Strategy and Medium-Term Financial Plan could be more explicit. However, there is clear alignment between the council's workforce plan and its service plans, and these service plans link directly to the Council Plan. The development on the service plans involved self-evaluation of workforce planning across all services. This is a positive development and has put in place the foundations on which the council can measure improvement.
- 5** The council has not yet articulated its vision for how digital technology can shape its workforce of the future. It acknowledges that its Corporate Workforce Plan needs to align with its Digital and ICT Strategy 2023-28. Delays to developing workforce reporting tools in Oracle Fusion have impeded the analysis and reporting of workforce data.
- 6** The council's Remote Working Policy provides flexibility for staff. The council's initial assessment of the impact of its new way of working is positive with further monitoring and engagement with staff planned.

- 7 The council and the Health and Social Care Partnership have introduced a number of innovative initiatives to improve the skills and capacity of their future and existing workforce.
- 8 As well as sharing its roads and transportation service with East Ayrshire Council through the Ayrshire Roads Alliance, the council shares a small number of other roles with other councils. The workforce benefits of these arrangements have not yet been captured or quantified.

46. Overall, the key messages reflect positively on the council's workforce planning arrangements which is further evidenced through the areas of good practice highlighted in our report. A small number of audit improvement recommendations were included in the thematic report and are replicated in [Appendix 1](#) of this report. This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

**The council has made good progress with prior year Best Value recommendations. There has been greater strategic focus on improving the pace of change at the council.**

47. The [Controller of Audit](#) report for South Ayrshire Council was considered by the Accounts Commission and their findings were published in November 2023. The Commission acknowledged the progress the council made in addressing the recommendations in its [2021 Best Value Assurance Report](#). However, they reported that *"We are concerned that the pace of improvement has been slow. We acknowledge that external factors, including financial pressures and changes in political leadership, have contributed to this but these factors are not unique to the council."*

48. The findings did recognise that *"that the council has sought to address our previous findings on leadership, and we commend the council for the clear intent around the new senior management structure, to ensure that there is sufficient leadership capacity. We look forward to seeing the impact of these changes and evidence of a culture of continuous improvement within the council."*

49. As part of our 2023/24 audit work, we have followed up on the four prior year Best Value recommendations, conclusions are reported in [Appendix 1](#). These recommendations were reported in our [2022/23 Annual Audit Report](#), which formed the basis of the Controller of Audit report considered by the Accounts Commission. We have concluded that good progress has been made in two of these areas, performance reporting and publishing place plans. Further work is still required on the recommendation relating to corporate self-evaluation and the introduction of new impact assessments in all services, but work is underway to progress both. In addition to these recommendations, we also welcome the improvements in the strategic focus of the council. Following the November 2023 report a new Transformation Board has been established (see [paragraphs 119 to 127](#)) together with changes in the senior leadership structure (see [paragraph 130](#)). These aim to drive at pace, the required change for the council.

**The council is now systematically measuring and reporting on its performance across its strategic priorities. Good progress has been made in completing actions in year one of the Council Plan.**

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

**51.** In response to an audit recommendation in our [2022/23 Best Value thematic](#) report, replicated in [Appendix 1](#) of this report, the council was to make improvements to ensure:

- a balanced view of progress against the council plan priorities should be reported regularly to members.
- a timetable for performance reporting to elected members should be a priority.
- performance reports include details or links to planned improvement actions.
- public performance reporting fully complies with the new Statutory Performance Information (SPIs) Direction.

**52.** A new performance management framework (PMF) was approved by the Cabinet in June 2023. This was designed in response to previous audit recommendations, aiming to align the council's activities with its strategic priorities. It focuses on setting clear outcomes and priorities, integrating self-evaluation, and emphasising continuous improvement in service delivery. The framework includes structured performance monitoring and reporting mechanisms to enhance transparency and accountability.

**53.** To report effectively on its progress towards meeting its priorities, new service plans have been approved for each council service. They show the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact. Service plans are monitored by the Council Leadership Team quarterly, with reports going to Service and Partnerships Performance Panel (S&PP) in quarters two and four. An annual report will also be produced every December for approval by the council.

**54.** The PMF aligns with the council's strategic priorities. It supports the Council Plan, focusing on delivering and managing services effectively. The reports, considered by the S&PP in November 2023 and June 2024, provide a detailed assessment of performance across various priorities and includes actions and their corresponding Key Performance Indicators (KPIs). These reports show a systematic measurement of the Council Plan's performance in areas like Spaces and Places, Live Work and Learn, Civic and Community Pride and Efficient and Effective Enabling Services.

**55.** Each priority area has specific actions with clear targets, timescales and assigned leads. The report tracks these actions, noting their progress status,

such as 'on target,' 'completed,' or 'off track,' along with detailed notes on each action. For example, in Spaces and Places, there are actions like the transition to a low-emission car fleet and development plans for golf courses, each with its specific progress percentage and success measurement criteria.

**56.** Moreover, the report highlights key achievements in the quarter, such as successful delivery of events and opening of new facilities. When actions are identified as 'off-track,' detailed explanations for these deviations are provided in the accompanying narrative within the performance report. This transparency in addressing underperformance not only identifies issues but also provides insights that guide remedial actions. We have considered the quarter four position at [paragraphs 143 to 146](#).

**57.** This comprehensive approach demonstrates the council's commitment to systematically measuring and reporting on its performance across all areas of activity.

**The council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. The framework has been used in the service planning process and will be rolled out to individual services during 2024/25.**

**58.** The [Best Value Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. Key to the council demonstrating improved outcomes for citizens will be the reintroduction of a corporate approach to self-evaluation.

**59.** Our [2022/23 Best Value thematic](#) report identified that a corporate approach to self-evaluation needed to be progressed. This should include an understanding of the council's performance in relation to other councils.

**60.** The council is progressing with the roll out a new corporate self-evaluation tool. Following agreement from Executive Leadership Team and the Best Value Working Group, the council has adopted the Improvement Service's Public Service Improvement Framework as its self-evaluation tool. This followed the council's Corporate Leadership Team engaging with the Improvement Service in early 2024 to talk through the process. Subsequently, self-evaluation training sessions were held with all Service Leads to highlight their role in supporting change and improvement within the council. The framework has since been used to assist in the service planning process and will be rolled out to individual services during 2024/25.

**The council complies with the requirements of the Statutory Performance Information Direction.**

**61.** The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) 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).

**62.** The council has a dedicated public performance reporting webpage. However, our [2022/23 Annual Audit Report](#) found issues that impact on the effectiveness of the public performance reporting. The council has put in place arrangements to address the issues reported. For example:

- the council's dedicated public performance reporting webpage has been updated. This has included updating information and links and re-organising the layout to make the site more user friendly (SPI 1).
- the council has increased its performance measurement capabilities, by updating its Performance Management Framework in June 2023. Key improvements include - providing comprehensive summaries, a renewed focus on community engagement and updates on KPIs that align with council priorities - enabling more effective tracking of progress against set targets (SPI 1).
- service plans were developed and presented to the Service and Partnership Performance Panel in June 2023. The plans outline the council's strategic priorities and corresponding actions. The plans include detailed actions, performance targets and responsibility assignments. Additionally, they emphasise a commitment to continuous improvement and adaptability, responding to community needs and changing circumstances (SPI 1).
- Best Value reports, and the council's updates on its progress in addressing the recommendations within them, are included on its website along with inspection body reports (SPI 2).

**63.** In addition to its own performance reporting, the council presented its analysis of the national Local Government Benchmarking Framework (LGBF) 2022/23 results to its Service and Partnerships Performance Panel in June 2024 and published the result of this on its website. Further commentary on the LGBF and the council's performance in year is at [paragraphs 147 to 153](#).

**64.** Given the nature of performance reporting, compliance with the direction is an iterative process. However, in our view, the improvements made to the council's public performance reporting have ensured it now complies with the requirements of the Statutory Performance Information Direction.



---

# 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 budget in 2023/24. Reserves of £19.671 million were used to achieve this. Total usable reserves are now only £42 million.

The council's approved reserves strategy is to maintain unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. At 31 March 2024, the council's unearmarked balance of £4.444 million represents 1.76 per cent of the expenditure budget of £252 million for 2024/25, out with this range. A review of the council's general fund was undertaken in 2024/25 to re-establish its unearmarked balance in line with its reserves policy.

The council should ensure that all projects in its capital programme are supported by up-to-date business cases. To comply with the council's capital management processes, the revised business case to support its expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.

Financial systems of internal control were designed effectively, but the implementation of the new Oracle Fusion system resulted in some key controls not being fully operational during the year. This did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement.

---

## **The council operated within budget in 2023/24. Reserves of £19.671 million were used to achieve this.**

**65.** The council approved its 2023/24 budget in March 2023. The budget was set at £329.938 million. Budget adjustments throughout the year resulted in a revised budget of £339.157 million which included a draw down from reserves based on earmarked spending plans of £20.179 million to support the budget. The nature of most of the reserves utilised were non-recurring e.g. use of PPP/PFI flexibility - £5 million and £2.459 million from the inflationary reserve). As we discuss at [paragraphs 119 to 127](#) it is vital the council delivers on its transformation projects to ensure its longer-term financial sustainability.

**66.** In the 2023/24 Annual Accounts, the council reported an underspend of £1.026 million. This was transferred to the uncommitted general fund reserve at the year-end. The most significant directorate under / overspends are summarised in [exhibit 4](#).

#### **Exhibit 4**

##### **Summary of significant variances against budget**

<b>Area</b>	<b>Total</b>	<b>Reason for variance</b>
<b>Significant underspends</b>		
Chief Executive's Office	£2.093 million	Mainly attributed to underspends with employee costs due to vacant posts and underspends in ICT contracts.
Strategic Change and Communities	£2.648 million	The underspend was due to delays in filling vacant posts combined with over recovery of income in leisure facilities and the receipt of grant income monies which are being carried into 2024/25.
<b>Significant overspends</b>		
Housing, Operations and Development	£2.781 million	Overspends with employee costs and Ayrshire Road Alliance costs combined with an under recovery in planning fees and car-parking income.

Source: South Ayrshire Council Annual Accounts 2023/24

#### **There are well-established budget monitoring and reporting processes in place.**

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

**68.** The Cabinet regularly review progress against budget throughout the year. The budget updates provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council



for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from members.

**There was a £19.671 million net decrease in usable reserves. Total usable reserves are now only £42 million. A review of the council's general fund was undertaken to re-establish its unearmarked balance in line with its reserves policy.**

**69.** One of the key measures of the financial health of a council is the level of reserves held. In 2023/24 there was a net decrease of £19.671 million in the council's usable reserves, with the total now sitting at £42.127 million ([exhibit 5](#)).

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

- **PPP/PFI flexibility:** as agreed on the creation of this reserve in 2022/23, £5 million was used to support the 2023/24 budget.
- **Covid-19:** the council utilised £4.198 million of Covid-19 funding carried forward from 2022/23. The total Covid-19 funding held in the reserve at 31 March 2024 is £1.714 million.
- **Inflation reserve:** £2.459 million was utilised to support service overspends on ongoing inflationary pressures with utility costs.
- **Unearmarked balance:** reduction of £2.998 million to support service overspends and cover costs of Station Hotel encapsulation and traffic management following the September 2023 fire.

---

## Exhibit 5

### South Ayrshire Council - usable reserves

Reserve	31 March 2022 £'million	31 March 2023 £'million	31 March 2024 £'million
General fund	£39.877	£47.744	£28.591
Housing revenue account	£9.531	£3.279	£2.520
Capital grants unapplied	£6.379	£9.478	£9.701
Repairs and renewals	£1.682	£1.159	£1.171
Capital fund	£1.472	£0.138	£0.144
<b>Total usable reserves</b>	<b>£58.941</b>	<b>£61.798</b>	<b>£42.127</b>

Source: South Ayrshire Council Annual Accounts 2021/22 to 2023/24

---

**71.** 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) 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.

**72.** £24.147 million of the council's general fund reserve is earmarked for specific purposes such as the PPP/PFI benefit for future budgets (£9.000 million), Covid-19 recovery costs (£1.714 million) and the council's workforce change fund (£5.515 million).

**73.** The general fund reserve also includes an unearmarked balance of £4.444 million (2022/23: £7.442 million). The council's level of uncommitted general fund reserves as a percentage of overall budget (2.4 per cent) was below the Scottish average (3.2 per cent) based on the [Improvement Service – LGBF 2022/23](#) financial sustainability indicators. We recognise that the level of unearmarked reserves is dependent on councils' approach to earmarking funds. However, as at 31 March 2024, the council's unearmarked balance of £4.444 million represents 1.76 per cent of the expenditure budget of £252 million for 2024/25. The council's approved strategy is to maintain unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. The current position was out with this range.

**74.** As such, management undertook a review of the £24.147 million earmarked reserves to determine if all balances held required to be retained or if they could be released to the uncommitted reserve balance. An update was provided to Cabinet in August 2024. This review identified £0.887 million that could be released from the earmarked reserves to the uncommitted balance. The result of which in 2024/25 was to increase the uncommitted reserve to £5.331 million or 2.11 per cent of planned 2024/25 expenditure.

**75.** Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the council to meet unforeseen costs and pressures.

### **Capital expenditure decreased in 2023/24 as there continues to be challenges in the construction industry that have impacted on the council's capital programme.**

**76.** The council's total capital budget for 2023/24 was set in March 2023 at £174.885 million but was subject to budget revisions throughout the year. Capital projects continued to face challenges in 2023/24 due to skilled worker

shortages, inflation, and the ongoing war in Ukraine. Total capital expenditure, both general services and housing, in 2023/24 was £99.362 million.

#### **General services programme 2023/24.**

**77.** The general services capital programme monitoring reports are presented to Cabinet throughout the year and provide updates on the progress of current projects and the programme budget.

**78.** The general services capital programme budget was set at £99.145 million for 2023/24. Several revisions were made to the budget throughout the year resulting in a final budget of £53.677 million. The general services capital programme outturn spend was £53.677 million which represents 54 per cent spend against the original budget.

**79.** Maybole Community Campus was a major capital project completed in 2023/24. This replaces Carrick Academy, St Cuthbert's Primary School, Cairn Primary School, and Gardenrose Primary School with a modern multi-purpose campus.

**80.** During the last quarter of the 2023/24 financial year, which covered the period from January to March, exceptionally wet weather was experienced. In addition, the construction industry continues to be volatile and is impacted by external factors including the conflict in Ukraine and a scarcity of materials and skilled labour. These issues impacted on the final quarter progress of several projects that were on site and contributed to the current year underspend detailed above.

**81.** The most significant project re-profiling was in relation to the commercial space at the industrial units in Prestwick. This project had a budget of £22.401 million in 2023/24 and forms part of the Aerospace and Space programme included in the Ayrshire Growth Deal. However, a review of the Aerospace and Space programme is currently underway to develop alternative proposals which meet the Ayrshire Growth Deal criteria. Members have been provided with regular updates on the Ayrshire Growth Deal, including the reasons behind the need for a review into this project.

#### **Housing capital programme 2023/24.**

**82.** There is regular monitoring of the housing capital programme throughout the year. In March 2023, the housing capital budget was set at £75.740 million for 2023/24. During the year revisions were made to the budget to re-profile projects from 2023/24 to 2024/25 resulting in a final budget of £45.685 million. The most significant re-profiling in budget was in relation to new builds, decreasing from an original budget of £41.951 million to a final budget of £25.153 million. Both new housing developments on the site of former Riverside flats and affordable housing at former St Ninian's primary school have later than planned start dates accounting for a large amount of the re-profiled budget. The council is committed to delivering these projects and the budget has been moved into 2024/25. The housing programme outturn spend in 2023/24 was in line with the revised budget at £45.685 million.

**The council should ensure that all projects in its capital programme are supported by up-to-date business cases. To comply with the council's capital management processes, the revised business case to support its expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.**

**83.** As part of our work this year we considered the approval and review process the council has in place for its general services capital programme. We selected one project, expenditure on the refurbishment of the Ayr Citadel Leisure Centre, from the 2023/24 capital programme. This had a total budgeted spend of £10 million between 2023/24 and 2026/27. Spend in 2023/24 amounted to £0.290 million, with a further £0.188 million spent so far in 2024/25.

**84.** The council has a Capital Asset Management Plan which details the process and governance arrangements for all such capital projects. The process is as follows:

- A business case is prepared by the sponsoring service.
- The business case is presented to the Capital Asset Management group for consideration.
- Each case is given a RAG status with input from the Chief Financial Officer on overall affordability of the capital programme.
- The proposed bids are then considered by the council's Budget Working Group which includes Elected Members and Officers and then the final approval site with Full Council, as part of the annual capital programme budget.
- Quarterly capital monitoring reports are taken to Cabinet for review and approval.

**85.** The refurbishment of the Citadel Leisure Centre evolved from the proposed new build that was removed from the council's 2022/23 capital programme in December 2022 on the basis that it no longer met the affordability criteria set by the council. This had a budget of £40 million based on a 2018 business case.

**86.** We requested the supporting documentation relating to the refurbishment, including the business case and condition surveys.

**87.** There are surveys and reviews from independent experts in support of the project which are comprehensive and up to date. However, at the time of undertaking our review in June 2024, no business case was provided for the refurbishment works.

**88.** Management advised that as the project evolved from the original rebuild, a portion (£10 million) of the previously agreed budget (£40 million) was allocated for the refurbishment works. We confirmed with officers that no revised or new

business case was completed for the Citadel refurbishment project at that time. Management have subsequently provided this to us in September 2024.

**89.** In our view, the move from a £40 million rebuild to a £10 million refurbishment represents a fundamental change in the project. As such, the original business case should have been revised or an updated business case should have been developed at that time to demonstrate that the new project represents Best Value for the council.

**90.** In the absence of a business case, we asked management to clarify how the £10 million estimate was arrived at. Initially, no information was provided to support the £10 million estimate. We have since been provided with a breakdown of the anticipated spend.

---

### Recommendation 3

To comply with the council's capital management processes, a revised business case to support the expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.

The council should ensure that all projects in its capital programme are supported by up-to-date business cases, that comply with the good practice set out in Audit Scotland's report on [major capital investment in councils](#).

---

### Borrowing levels have increased in support of the council's capital programme. The council understands the future revenue implications of servicing this debt.

**91.** In the Accounts Commission's January 2024 Local government in Scotland: Financial Bulletin 2022/23, it was highlighted that a greater reliance on borrowing to fund capital programmes increases the pressures on revenue budgets over the longer term.

**92.** To finance the capital plans, the council relies on external borrowing. Over half of capital funding comes from external borrowing, with 24 per cent being funded from government grants and contributions and 16 per cent from other sources. The council's medium-term financial plan and treasury management and investment strategy provide a guide to the borrowing needs of the council.

**93.** During 2023/24 the council borrowed £36 million from the Public Works Loans Board (PWLB) on a long-term loan basis. The council remained within its authorised capital financing requirement (CFR) of £534.483 million, with the actual CFR being £475.682 million. The ratio of net revenue used for paying for the borrowing finance cost (loan interest) was 13 per cent for housing and six per cent for non-housing. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The national average ratio of financing costs to net revenue stream is 22.2 per cent for housing and 5.4 per cent for non-housing. South Ayrshire Council are

performing well in the housing context, being 10 per cent less than the Scottish average. Finance costs for non-housing is slightly higher than the Scottish average, however this is likely due to the council's ambitious capital programme. The range for non-housing finance costs is 0.7 per cent to 9.7 per cent meaning the council are in the middle of the range.

**94.** The liability benchmark indicates that the council's reliance on external borrowing does not peak until 2032 before beginning to decrease. This could present a risk to the council, as if interest rates were to increase again or remain elevated for an extended period a higher proportion of revenue spend would be spent on paying interest costs.

**95.** The council continues to manage its borrowing through its treasury management strategy that is subject to regular review by the Audit and Governance Panel. The strategy and scrutiny of this ensures the debt charges remain prudent and affordable.

**Financial systems of internal control were designed effectively, but the implementation of the new Oracle Fusion system resulted in some key controls not being fully operational during the year. These issues were addressed by the council and did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement.**

**96.** In April 2023, the council implemented its new Oracle Fusion ERP cloud solution. This replaced the previous on-premises Oracle Enterprise Business Suite (EBS) that had been in operation since 2005 and had reached its end of life.

**97.** From our review of the design and implementation of systems of internal controls relevant to our audit approach (including those relating to IT), we identified areas where controls or reports were impacted by the new system. This did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement. Specifically, the 2022/23 audited Annual Accounts balances were not available within Oracle Fusion until April 2024. This delayed our ability to assess whether balances from the old system had been accurately transferred into Oracle Fusion. We also identified an unreconciled amount that went unresolved for several months during the year, between the bank and general ledger. These issues were subsequently addressed and did not impact on the compilation of the Annual Accounts, which we have concluded are free from material misstatement.

**98.** Our review did not identify any issues in controls relating to the council's other key financial systems (e.g. council tax, non-domestic rates). However, as noted at [Appendix 1](#), our recommendation from last year regarding the need for a formalised payroll validation process remains open.

**99.** The key controls within the council's main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to the Annual Accounts is low.



**100.** As with all major system changes, particularly those where challenges have been encountered, a post-project evaluation should be undertaken. This should be completed within a reasonable timescale. The evaluation should consider performance against cost, time and quality targets which will help to assess if the expected wider benefits which originally justified the investment have been delivered. The council has completed a review of the project which will be considered by the Transformation Board in November 2024. The review, and any lessons learned from this, can be used to inform future projects.

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

**101.** 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.

**102.** In line with the Public Sector Internal Audit Standards (SIAS) there is a requirement for the internal audit function to be independently reviewed once every five-years. The internal auditor of Inverclyde Council undertook this review, and the findings were reported to the Audit and Governance Panel in May 2024. The report noted a high level of compliance with the PSIAS. There were no areas assessed as being partial or non-conformance with the standards. A small number of improvement actions were noted. The Chief Internal Auditor has agreed to address these as part of her teams rolling improvement plan.

**103.** Internal audit's annual report, presented to the June 2024 Audit and Governance Panel, concluded that overall reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2024.

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

**104.** 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.

**105.** The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. For the 2022/23 exercise, the council has made good progress in reviewing all very high-risk matches, creditors, and the council tax reductions scheme. Progress has also been made towards completing target investigations for the housing waiting list. The council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

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

---

# 4. Financial sustainability

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

---

## Conclusion

The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. The underlying service cost base is not sustainable.

The council has in place a medium-term financial plan (MTFP) which covers the five-year period to 2028/29. The plan is subject to annual review and aligns financial decisions with the strategic priorities in the Council Plan.

The latest update to the MTFP shows a cumulative budget gap of £45.7 million. Savings of £28.826 million need to be delivered in 2025/26 and 2026/27. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.

The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.

---

**The council approved a balanced budget for 2024/25, but only after planning to utilise £4 million of reserves and £10.253 million from reduced pension contributions. The underlying service cost base is not sustainable.**

**107.** The council, alongside other local authorities, is navigating substantial fiscal pressures that are projected to widen budget gaps in the coming years. In its January 2024, [Local Government in Scotland Financial Bulletin 2022/23](#), the Accounts Commission noted that Scottish councils received more funding in cash terms due to high inflation in 2022/23, but total revenue funding from all sources fell by £619 million (2.8 per cent) in real terms compared to the previous year. This illustrates the real decrease in financial resources available for councils to use towards local priorities. In its May 2024 [Local government budgets 2024/25](#) briefing, the Accounts Commission also commented on the continued limited flexibility councils have with their funding *'which is largely directed towards the delivery of Scottish Government policies or to support*



*previous pay awards, rather than an increase in available funding for councils to use at their discretion.'*

**108.** Set in this challenging context, in February 2024, the council approved a balanced budget for 2024/25 of £252.767 million. In addition, the council committed £100.454 million to the South Ayrshire Health and Social Care Partnership (HSCP). The council received funding of £3.296 million, offered by the Scottish Government, following a freeze to council tax rates for 2024/25.

**109.** The council had a projected revenue budget gap of £17.772 million for 2024/25. In the narrative that supported the budget, the council transparently set out the options it considered to help address this gap. Following the budget consultation, the council employed strategic measures to balance its budget including:

- **Pension contribution savings:** The Strathclyde Pension Fund has reduced employer contributions for 2024/25 and 2025/26 to 6.5 per cent. The rate will then revert to 17.5 per cent from 2026/27. This temporary reduction has resulted in savings of £14.306 million for 2024/25. Of this, £10.253 million has been applied as a non-recurring reduction in the base budget, with the remaining £4.053 million allocated to support the council's new Transformation Board (see [paragraphs 119 to 127](#)).
- **Use of reserves:** The council has utilised reserves of £4 million. These funds relate to the application of Service Concession Arrangements (PPP/PFI) flexibilities in accordance with [Finance Circular 10/2022](#) as agreed by the council in December 2022.
- **Increase fees/charges and recurring savings:** The budget outlines an increase to fees and charges totalling £2.367 million of additional income, as well as recurring savings of £1.152 million.

**110.** The budget for 2024/25 is balanced yet the council anticipates a need for savings of £28.826 million in the subsequent two years. This cumulative gap equates to around nine per cent of its 2024/25 net revenue budget, which emphasises the need for action. Accordingly, within the 2024/25 budget paper the council has identified several future activities that it will look to progress in the coming year with the aim of ensuring sustained financial health.

**The council has in place a medium-term financial plan (MTFP) which covers the five-year period to 2028/29. The plan is subject to annual review and aligns financial decisions with the strategic priorities in the Council Plan.**

**111.** Multi-year allocations were not included in the Scottish Government's 2024/25 budget. As such, the funding position beyond 2024/25 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst we recognise that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer-term, the development of financial plans is necessary to help councils plan for and deliver better outcomes for its citizens.

**112.** The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about the scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important.

**113.** The council's MTFP 2024-25 to 2028-29 was updated in November 2023. The plan emphasises aligning financial decisions with the Council Plan to meet the council's three key priorities: Space and Places, Live Work Learn, and Civic and Community Pride. The updated five-year plan which replaces both the previous three-year MTFP, and the ten-year Long-Term Financial Outlook (LTFO), provides a picture of the likely challenges to be faced in the coming years. This should help to focus attention and inform decisions on areas of priority and non-priority spend for the council.

**The latest update to the MTFP shows a cumulative budget gap of £45.7 million. Savings of £28.826 million need to be delivered in 2025/26 and 2026/27. Given the reducing levels of reserves, future savings must be made through the urgent transformation of services to bridge this gap.**

**114.** The MTFP outlines a strategic approach to navigating through a challenging financial environment, marked by increased inflation and tighter fiscal constraints. The plan aims to provide clarity on the management of financial resources and the delivery of council priorities, identifying a potential cumulative budget gap of £45.9 million by 2028/29 ([exhibit 6](#)).

**115.** The MTFP is predicted on several key assumptions to forecast the future financial environment. These include a flat cash assumption for Scottish Government funding and anticipated 3 per cent pay uplift across the plan's duration, and the impact of the Strathclyde Pension Fund employer contribution changes. Council tax is projected to increase by 5 per cent annually and an inflationary uplift is accounted for, with the expectation of this pressure decreasing over term of the plan. The plan also anticipates a review of debt charges and the utilisation of £21.718 million PPP/PFI retrospective savings over the period of the plan. The council's MTFP, while prepared with appropriate information and using reasonable assumptions, also acknowledges the difficulty in planning due to the volatility and unpredictability of economic factors, including the impact of global events and national policies.

---

## Exhibit 6

### MTFP - budget gap 2024/25 - 2028/29

	2024/25 £'million	2025/26 £'million	2026/27 £'million	2027/28 £'million	2028/29 £'million	Total gap £'million
<b>Budget gap</b>	3.5	4.2	21.0	9.7	7.5	45.9

---

**116.** As part of its 2024/25 budget setting in February 2024, the council provided an update on the MTFP. The position reported indicated a potential cumulative budget gap of £45.7 million. After removing the balanced 2024/25 position, this reflects a worsening position to the one reported in the MTFP ([exhibit 6](#)). The update shows an improvement on the budget gap positions reported in November 2023 for 2024/25 (budget balanced), as well as 2028/29 (gap now £6.2 million). However, worsening budget gap positions are reported in 2025/26 (£6.7 million), 2026/27 (£22.1 million) and 2027/28 (£10.7 million). Inflation, ongoing pay discussions and future funding settlements all contribute to the uncertainty and fluctuations in financial planning.

**117.** Acknowledging the scale of the budget gap, the MTFP anticipates the difficulty in managing financial pressures while trying to achieve the council's strategic priorities. The council's MTFP details a dual approach of expenditure reduction and income increases. This includes a strategy for council tax, reflecting varying scenarios of tax rate increases, as well as strategies for fees and charges and service savings. The plan balances immediate financial requirements with medium-term strategic planning.

**118.** The MTFP is subject to review alongside the annual budget setting process. This will consider the financial environment the council operating in at the time alongside its strategic priorities.

**The new Transformation Board provides the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities.**

**119.** The [2021 Best Value Assurance Report](#) said that relative to other councils, South Ayrshire's approach to transformation had been slow and inconsistent, lacking drive and urgency. The number of projects in its transformation programmes scope had increased from 22 at launch in June 2021 to 35 by January 2023. The council then refocussed the programme in June 2023 to 14 projects. Prior to the refocus, the council had progressed, to the final stage of the process, eight projects with an estimated cashable benefit of around £0.545 million.

**120.** The November 2023 [Controller of Audit](#) report repeated concerns about the lack of progress with the council's transformation programme stating: "*We note that the transformation programme has been refocused, and the number of projects reduced, but we now urge the council to move at pace to establish the expected cashable benefits and baseline activity for the programme.*" The Commission then highlighted the need for decisive and focused leadership to deliver the required transformation.

**121.** To take forward this recommendation the council approved the formation of a new Transformation Board in March 2024. The Transformation Board's remit focuses on four key transformation priorities for the council being:

- Workforce
- Technology
- Assets
- Delivery Model

**122.** The Terms of Reference for the new Board have been approved. The Board is chaired by the Chief Executive and membership includes Chief Officers of the council. The Board will meet quarterly. The Board has authority to allocate and monitor sums from the new Transformation Fund of up to £0.100 million for the delivery of transformation projects, subject to a business case and other approvals. Any proposals of over £0.100 million will be subject to decision making by the Cabinet.

**123.** In addition to the strategic oversight from the Transformation Board, a Transformation Delivery Group has been established that meets four-weekly. This group is chaired by the Assistant Director - Transformation and is responsible for the operational oversight of the projects.

**124.** As part of the 2024/25 budget setting process, the council agreed to contribute £4.053 million of the temporary employer pension fund contribution savings to establish the Transformation Fund. When combined with £0.975 million of funds held in the council's Efficiency and Improvement Fund the Transformation Fund has an opening balance of £5.053 million. The Transformation Fund can be used to invest in capital or revenue requirements.

**125.** The council has committed to implementing benefits trackers for each funded project that will demonstrate cashable and non-cashable benefits, target dates and how benefits will be measured. Regular benefits realisation updates and reports on live and completed projects will be monitored by the Transformation Board.

**126.** From review of the August 2024 portfolio Transformation Board update, the council has identified and approved 14 projects across its four key transformation areas. Work is now ongoing to understand the level of investment required to deliver on these projects together with the likely cashable benefits.

**127.** We welcome the strategic integration and ownership of the council's transformation plans. With both the governance and funding in place the council now needs to take forward proposals and deliver on its transformation priorities. We will continue to monitor the progress of transformation at the council as part of our 2024/25 audit.

---

# 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

In response to its November 2023 Controller of Audit report the council revised its strategic approach to “*Shaping Our Future Council.*” As part of the approved changes the leadership capacity within the council was increased. This aims to support the council in the delivery of its Best Value responsibilities.

Generally, there is openness and transparency within the council together with appropriate governance and decision-making arrangements.

---

## **In response to its November 2023 Controller of Audit report the council revised its strategic approach to “*Shaping Our Future Council.*”**

**128.** Following appointment in November 2023, and after taking into consideration the findings from the November 2023 [Controller of Audit](#) report, the new Chief Executive brought forward proposed structural changes to the Full Council meeting in March 2024.

**129.** The Controller report was critical of the council’s pace of change and transformation. This strategic review included changes at a Chief Officer and senior management level, with the aim of driving change activity forward to realise benefits that will ensure the sustainability of the council.

## **As part of the approved changes the leadership capacity within the council was increased. This aims to support the council in the delivery of its Best Value responsibilities.**

**130.** At the meeting members approved an enhanced leadership and management structure. This aims to support the council in the delivery of its Best Value responsibilities and is designed to improve the leadership capacity required to drive sustainable change within the council. The main changes approved were:

- Creation of a post of Chief HR Officer.
- Creation of an Assistant Director with responsibility for Corporate Policy, Strategy and Performance.
- Revision to the job title for the current Head of Legal and Regulatory Services to be replaced by Chief Governance Officer to better reflect the statutory nature of the post.
- Revision to the job title and remit for the current Head of Finance, ICT, and Procurement to be replaced by Chief Financial Officer to better reflect the statutory nature of the post.
- Appointment of Performance Analyst to support the development of performance management and performance reporting.
- Revisions to job titles for the current Director of Strategic Change and Communities and the Assistant Director of Strategic to be replaced by Director of Communities and Transformation and Assistant Director Transformation.
- Transfer of the ICT Enterprise Architecture and ICT Operations service into the remit of the new Assistant Director Transformation.

**131.** In addition to the above changes, members approved the establishment of a Transformation Board (see [paragraphs 119 to 127](#)).

**132.** Over the course of our audit appointment, we will monitor the effectiveness of this revised structure. It is vital the council sustains its leadership capacity to achieve its objectives and drive change at the pace needed.

### **There is openness and transparency in decision-making by the council.**

**133.** The council has implemented several measures to ensure that the decision-making processes are accessible to the public. These include the live streaming of meetings and the publication of meeting agendas, papers, and video recordings on the council website.

**134.** The council publishes its Annual Accounts on its website, which include a Management Commentary. This commentary provides an analysis of the council's financial performance and use of resources for the year. An Annual Governance Statement is also available, which details its compliance with the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

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



## Generally, there are appropriate governance and decision-making arrangements are in place at the council.

**136.** 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.

**137.** The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a “Call In” for further scrutiny to the Audit and Governance Panel. Therefore, the quality of the Audit and Governance Panel is key to ensuring effective scrutiny of decisions.

**138.** The Panel’s bi-annual self-evaluation of its performance was completed in September 2023. The review identified a small number of actions to be take forward but overall indicated a high-level of compliance with CIPFA’s Audit Committees: Practical Guidance for Local Authorities and Police guidance. The main action point from this review involved the introduction an annual report on the activities of the Panel.

**139.** In response, an annual report was considered and approved by the Panel in May 2024 prior to this being sent to Full Council for its consideration. The report includes an assurance statement from the Chair of the Panel that states: *“I can, therefore, provide the council with reasonable assurance on the adequacy of the arrangements for risk management, governance, and control, based on the work undertaken by the Panel.”* The contents of the annual report, including the assurance statement, is consistent with our knowledge of the work considered by the Panel during the year.

**140.** The council has a local code of corporate governance. The local code follows the seven principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016, with a further 21 sub-principles identified by the council to report against.

**141.** One of the Audit and Governance Panel’s responsibilities is to undertake an annual review of council officers’ self-assessment against the council’s corporate governance framework. The most recent review (2023/24) identified that of the 21 sub-principles, 20 were effective and one was effective, but some improvements were needed. The council has developed an action plan, with this disclosed in its 2023/24 Annual Governance Statement, to take forward these improvements into 2024/25.

**142.** The local code of corporate governance, and the subsequent annual review of this, supports the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the effective delivery of services and value for money.

---

# 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

There has been regular reporting of the council's progress with its Council Plan priorities. Good progress has been made in completing actions for year one of the plan.

The council's overall performance, taken from national benchmarking data, shows an improving position year-on year.

---

### **There has been regular reporting of the council's progress with its Council Plan priorities. Good progress has been made in completing actions for year one of the plan.**

**143.** In response to our prior year recommendation on the need for the council to improve the effectiveness and timeliness of its performance reporting, we are pleased to report that progress has been made in this area (see [paragraphs 50 to 57](#) and [61 to 64](#)).

**144.** The quarter four Council Plan update was reported to the Service and Partnerships Performance Panel in June 2024.

**145.** Of the 48 actions in the plan:

- 20 were complete
- 17 were on track
- 8 had their completion date re-assessed
- 3 were off track

**146.** Management assessed the RAG status of the overall action plan to be "Green." Of the projects off track one of these relates to Place Plans. We raised a recommendation around the need for these to be published as part of our audit last year (see [Appendix 1 2022/23 b/f BV 2 recommendation](#)). Progress with our recommendation has been made, with all plans now available on the



council's website, but the council is now undertaking a new round of engagement with its communities to re-fresh these.

### **The council's overall performance, taken from national benchmarking data, shows an improving position year-on year.**

**147.** 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. In analysing the LGBF data we recognise that local policy choices about council services and strategic priority areas will have an impact on the results.

**148.** The most recent [National Benchmarking Overview Report 2022/23](#) by the Improvement Service was published in March 2024. The results were considered by the council's Service and Partnerships Performance Panel in June 2024 along with council specific commentary on where improvement activity is planned or already underway. The information reported to members stated that:

- 40 per cent of the measures improved.
- 36 per cent declined.
- 11 per cent remained stable.
- 13 per cent had no data.

**149.** Following comments in our [2022/23 Annual Audit Report](#), the council has taken steps to improve how it uses this data. In March 2024, Service Leads were provided with data packs on the LGBF results. Each pack contained information on:

- The council's individual performance over three and five years.
- The council's performance in relation to its Family Group and National average over three and five years.
- The performance of its Family Group for the current year for which data is available
- An abbreviated commentary on the national performance of each indicator.

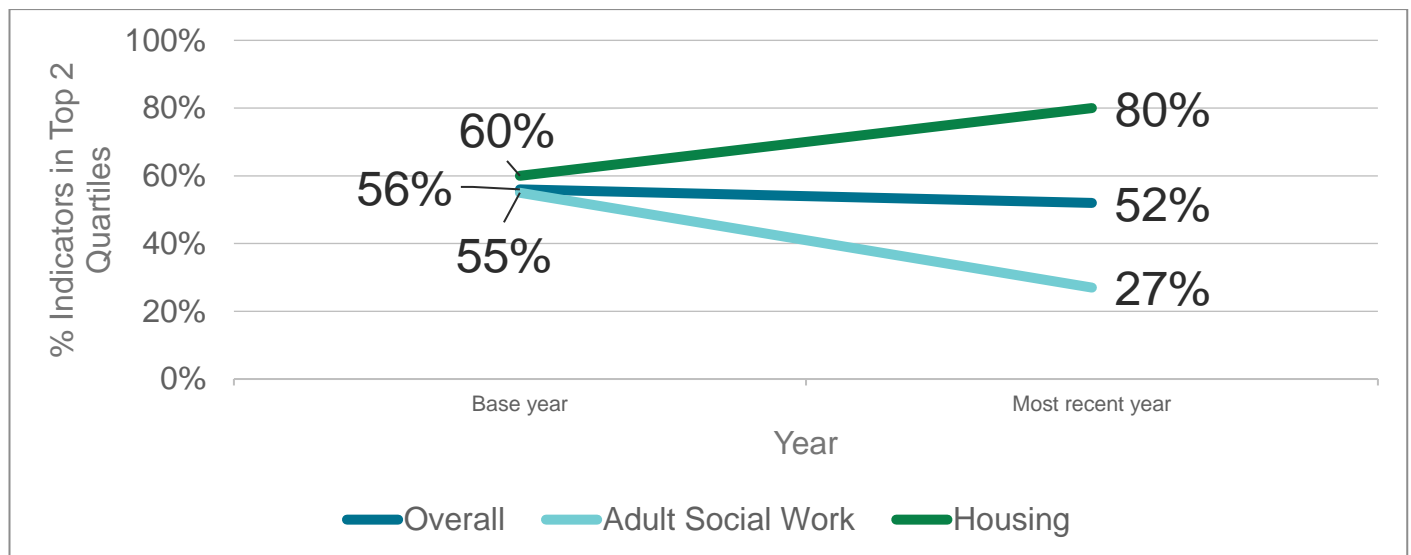
**150.** The council's LGBF results are transparently reported in its Management Commentary within the 2023/24 Annual Accounts.

**52 per cent of national indicators are in the top two quartiles of councils, this has fallen from 56 per cent, showing the rate of service improvement is slower when compared to other councils.**

**151.** The number of indicators in the top two quartiles has decreased from 56 per cent in the base year to 52 per cent in 2022/23 ([exhibit 7](#)). These results indicate that whilst the council's overall performance year-on-year has improved, its performance has improved more slowly than other councils over this period.

### Exhibit 7

#### Proportion of indicators in the top two quartiles from the base year to 2022/23



Source: [Improvement Service – LGBF 2022/23](#)

- Housing Services:** Of the indicators in the area, the council is now in the top two quartiles in 80 per cent of these, up from 60 per cent in the base year. Relative to its own position since the base year, 60 per cent of the indicators have improved. The council continues to rank highly in the quality of it housing that meets the Scottish Housing Quality Standards and that are energy efficient.
- Adult Social Work Services:** Since the base year, the council's top two quartile position relative to others has decreased from 55 per cent to 27 per cent. This is also reflected in the council's position relative to its own historical position, with nine of the 11 indicators in this service having declined since the base year. In our [2022/23 BV thematic](#) report, we noted several actions the council, and the South Ayrshire Health and Social Care Partnership, were putting in place to address the performance in this service. Whilst it is too soon to say how effective these have been, particularly given the ongoing national social care pressures being experienced across the

sector, for 2022/23 six of the 11 indicators are better when compared to the prior year, indicating some level of improvement in the service.

**152.** Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all the services they currently provide. This means that councils will need to make increasingly difficult choices about what their service and performance priorities are.

**153.** South Ayrshire Council should continue to use the LGBF data alongside its own performance management framework and its engagement with its communities to assess its local performance and priorities. This will provide it with a breadth of data to help inform and identify where improvements and better outcomes for its communities can be achieved.

# Appendix 1. action plan 2023/24

## 2023/24 recommendations including Best Value (BV) Thematic

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Asset register – fully depreciated assets</b></p> <p>Where assets are no longer in use they should be formally scrapped or sold. Significant assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p><b>Risk:</b> Depreciation charges are not being charged to user services.</p>	<p>Where significant fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life. Other assets should be considered for disposal.</p> <p><a href="#">Paragraph 24</a></p>	<p><b>Accepted</b></p> <p><b>Management response</b></p> <p>A review of fully depreciated assets held in the asset register will be undertaken.</p> <p>Where the asset is continuing, the economic life will be reviewed and extended. Where there is no longer a use for the asset it will be considered for disposal or derecognition.</p> <p><b>Responsible Officer</b></p> <p>Kevin Braidwood - Director of Housing Operations and Development</p> <p><b>Actioned by</b></p> <p>31 December 2024</p>
<p><b>2. Common Good rental agreements</b></p> <p>Rent agreements between the council and Common Good are not being revalued in line with rental agreements.</p> <p><b>Risk:</b> Lost income to the Common Good.</p>	<p>All rental agreements and support service agreements should be reviewed and updated as required.</p> <p><a href="#">Paragraph 24</a></p>	<p><b>Accepted</b></p> <p><b>Management response</b></p> <p>A paper reviewing the service and rental agreements between the council and the Common Good is currently being prepared and will be submitted to Members for formal consideration and approval later this year.</p> <p><b>Responsible Officer</b></p> <p>Kevin Braidwood - Director of Housing Operations and Development</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Ayr Citadel Leisure Centre</b></p> <p>Following the move from an approved project rebuild to a refurbishment, initially, there was no updated or new business case prepared. Additionally, it was not clear how the £10 million budget for the refurbishment had been estimated.</p> <p><b>Risk:</b> That the project does not represent value for money.</p>	<p>To comply with the council's capital management processes, a revised business case to support the expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported.</p> <p>The council should ensure that all projects in its capital programme are supported by up-to-date business cases, that comply with the good practice set out in Audit Scotland's report on <a href="#">major capital investment in councils</a>. <a href="#">Paragraphs 83 to 90</a></p>	<p><b>Actioned by</b></p> <p>31 December 2024</p> <p><b>Accepted</b></p> <p><b>Management response</b></p> <p>A revised business case has been completed for the Citadel Refurbishment and will be submitted to Members for formal consideration and approval later this year.</p> <p><b>Responsible Officer</b></p> <p>Kevin Braidwood - Director of Housing Operations and Development</p> <p><b>Actioned by</b></p> <p>31 December 2024</p>
<p><b>2023/24 Best Value (BV) Thematic recommendations</b></p>		
<p><b>BV 1. Workforce performance measures</b></p> <p>The council's Corporate Workforce Plan 2022-25 includes a detailed action plan. However, this does not list any targets or measurements, and it is unclear how the council will monitor the impact of its workforce planning approach in this way.</p>	<p>The council should develop performance measures and targets to monitor the impact of its workforce planning approach with data on future skills and capacity projections or any plans for various scenarios detailed. Additionally, workforce data such as the number of casual staff, age profile of staff and staff turnover should also be reported regularly to members.</p>	<p><b>Accepted</b></p> <p><b>Management response</b></p> <p>As part of the Council's revised Transformation Process, specific workforce targets and expectations will be set, cascaded, and reported against. Future workforce updates to members will reference key workforce data and metrics (see response to BV issue 3 below).</p> <p><b>Responsible Officer</b> Lyndsay McRoberts - Depute Chief Executive/Director of Education</p> <p><b>Actioned by</b></p> <p>December 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>BV 2. Impact of Digital Strategy actions on the workforce</b></p> <p>The Digital and ICT Strategy 2023-28 has an associated action plan that sets out actions, lead services and enabling services. However, it does not contain detail on the measures the impact of these actions will have on the use of digital technology on workforce productivity or other workforce benefits and service delivery and outcomes.</p>	<p>The council should measure and report on the impact that digital technology has on its service delivery and outcomes, including how this can shape its workforce of the future.</p>	<p><b>Accepted</b></p> <p><b>Management response</b></p> <p>The revised Transformation Process and associated structure will ensure closer alignment between the Digital and ICT Strategy, service delivery and the workforce. The required focus on value added/benefits realisation will become embedded into the process.</p> <p><b>Responsible Officer</b></p> <p>Louise Reid - Assistant Director Strategic Change</p> <p><b>Actioned by</b></p> <p>December 2024</p>
<p><b>BV 3. Workforce information from Oracle Fusion</b></p> <p>The new Oracle Fusion platform went live on 1 April 2023. At that time there was a focus on business-critical functions to keep the council operating and reporting was viewed as secondary to this. This has led to there being fewer workforce reporting tools, creating limitations in what analysis can be undertaken.</p>	<p>The council should prioritise the development of workforce planning reporting tools in Oracle Fusion to aid managers in decision-making.</p>	<p><b>Accepted</b></p> <p><b>Management response</b></p> <p>This will be a priority over the next 12 months. Projects and procurement activities related to Fusion enhancement will be required to consider workforce planning data and reporting, and how they improve the development of future workforce plans. Accessibility and availability of reports across a range of stakeholders will be a key aim.</p> <p><b>Responsible Officer</b></p> <p>Louise Reid - Assistant Director Strategic Change</p> <p><b>Actioned by</b></p> <p>March 2025</p>

## 2022/23 recommendations including Best Value (BV)

Issue/risk	Recommendation	2023/24 update
<p><b>1. Accounting for Property, Plant and Equipment (PPE)</b></p> <p>We identified a number of issues in our testing of PPE.</p> <p><b>Risk:</b> If the accounting for PPE is not improved future accounts could be materially misstated.</p>	<p>The council should undertake a thorough assessment of the fixed asset register to ensure its accuracy.</p> <p>Going forward, there should be clearer communication between Estates and Finance to ensure that necessary updates are reflected in the fixed asset register.</p>	<p><b>In progress</b></p> <p>A review of the asset register was undertaken in 2023/24, and improvements were made. However, as noted at <a href="#">exhibit 2</a>, further work is needed to tidy up the register to ensure it remains accurate.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer and Service Lead – Asset Management and Community Asset Transfer.</p> <p><b>Actioned by</b></p> <p>30 June 2025.</p>
<p><b>2. Matrix approach for revaluations</b></p> <p>We identified several assets which have not been revalued in over 5 years, in line with the council's 5-year rolling programme.</p> <p>The current approach to revaluations can also lead to uneven valuation movements arising each year.</p> <p><b>Risk:</b> The valuation of assets included in the accounts could be materially misstated.</p>	<p>The council should consider a matrix approach to valuations whereby a percentage of each class of asset is revalued each year. The council should ensure that all assets are included in this future programme.</p>	<p><b>In progress</b></p> <p>The valuation methodology was refined for 2023/24, but management have committed to adopting the full matrix approach for 2024/25.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer and Service Lead – Asset Management and Community Asset Transfer.</p> <p><b>Actioned by</b></p> <p>30 June 2025.</p>
<p><b>3. Control improvement: journal authorisation</b></p> <p>Some staff can approve their own journals.</p> <p><b>Risk:</b> Invalid, erroneous or fraudulent journals could be posted to the financial ledger.</p>	<p>Each journal should be prepared and authorised by different members of staff.</p>	<p><b>Rejected by management in 2022/23</b></p> <p>No issues reported by audit with journals testing in 2023/24.</p>
<p><b>4. Control improvement: payroll validation</b></p>	<p>The council should ensure formal procedures are in</p>	<p><b>In progress</b></p> <p>A new report has been developed where managers</p>



Issue/risk	Recommendation	2023/24 update
<p>There is currently no payroll validation exercise in place to confirm that only current employees are getting paid.</p> <p><b>Risk:</b> Payments are made to individuals not in the employment of the council.</p>	<p>place to validate staff on the payroll.</p>	<p>can access the establishment listing through their Fusion profile to validate staff on payroll. This new annual protocol was piloted in two areas in 2023/24 and was rolled out across all service areas in April/May 2024. The majority of service areas have completed the review with a few outstanding areas being followed up by HR colleagues.</p> <p><b>Responsible Officer</b> Chief HR Officer.</p> <p><b>Actioned by</b> 31 October 2024.</p>
<p><b>BV 1. Effective and timely performance reporting</b></p> <p>The council failed to effectively measure its performance against targets for the priorities in the Council Plan to March 2023.</p> <p>To help support challenge of services and focus of improvement actions, regular reporting of performance to elected members against the new council priorities is key.</p> <p>A framework is due to be discussed with members in June.</p>	<p>A balanced view of progress against the council plan priorities should be reported regularly to members.</p> <p>The accuracy of performance information provided to members should be checked.</p> <p>A timetable for performance reporting to elected members should be a priority.</p> <p>Performance reports should include details or links to planned improvement actions.</p> <p>The council should ensure it fully complies with the new Statutory Performance Information Direction.</p>	<p><b>Implemented</b></p> <p>See <a href="#">paragraphs 50 to 57</a></p>
<p><b>BV 2. Place Plans</b></p> <p>The Community Empowerment (Scotland) Act 2015 requires the publication of 'place plans'. These were to be in place by October 2017.</p> <p>The council has adopted a place-based approach to its</p>	<p>To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans.</p>	<p><b>Implemented</b></p> <p>The role of Team Leader Place Planning was recruited to in September 2023.</p> <p>The council has now published on its website the plans that were developed following the discussions with</p>

Issue/risk	Recommendation	2023/24 update
<p>new Council Plan. It has engaged with its communities and has identified local priorities. Due to resource pressures, to date only two Place Plans have been approved by members and published.</p>		<p>its communities in 2021 and 2022.</p> <p>Work is now ongoing on the re-refresh of these. In 2024 the council engaged with twenty-four localities (via community councils and other groups) in relation to place planning and developing a community action plan. Each locality is at different stage of the process, with the majority contacted and given information how to proceed forward. Around, 1,100 individuals were approached and participated to some degree in place planning.</p>
<p><b>BV 3. Council Plan – cross cutting impact assessment</b></p> <p>In the Council Plan there are several cross-cutting themes, one of which is equalities. These themes are to be considered when decisions are made. A new Impact Assessment approach is under development to assist with this.</p> <p>The approach is still to be determined, and it is not clear how the council will measure its success in these priority areas.</p>	<p>There should be a clear process introduced that is sufficiently resourced to ensure these cross-cutting priorities are given the necessary consideration.</p> <p>Measures should be set for monitoring progress for cross cutting themes. In particular how the council will measure that it is reducing inequalities and addressing climate change should be laid out.</p>	<p><b>In progress</b></p> <p>The council approved a new integrated impact assessment in September 2023. This was launched as a pilot within the Strategic Change and Communities Directorate. It will be rolled out to the rest of the council in 2024.</p> <p>We will review further reporting of this as part of our 2024/25 audit.</p>
<p><b>BV 4. Approach to self-evaluation of performance</b></p> <p>There has been a gap in the council's self-evaluation of service performance at the council since the Covid-19 pandemic.</p> <p>The council need to do more to challenge how services are delivered.</p>	<p>The plans to reintroduce a corporate approach to self-evaluation need to be progressed.</p> <p>The council's self-evaluation should include an understanding of its performance in relation to other councils.</p>	<p><b>In progress</b></p> <p>See <a href="#">paragraphs 58 to 60</a>.</p>

# South Ayrshire Council

## 2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)