

North Ayrshire Council

2024/25 Annual Audit Report



Prepared for North Ayrshire Council and the Controller of Audit
September 2025

Contents

Key messages	3
Introduction	6
1. Audit of 2024/25 Annual Accounts	8
2. Best Value audit	24
3. Financial management	32
4. Financial sustainability	46
5. Vision, leadership and governance	54
6. Use of resources to improve outcomes	57
Appendix 1	64
Appendix 2	71

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Key messages

Audit of the annual accounts

- 1 An unmodified independent auditor's report has been issued for the 2024/25 Annual Accounts of the council and its group and the eight section 106 charities administered by the council.
- 2 The financial statements now give a true and fair view of the financial position of the council and were properly prepared in accordance with the financial reporting framework. However a number of significant amendments have been required to the draft accounts to ensure in particular the non-current asset figures are fairly stated. These amendments do not change the reported outturn position or the usable reserves of the council.

Best Value

- 3 The council has continued to demonstrate a strong culture of continuous improvement. It has robust arrangements in place to secure Best Value. The council has made good progress with prior year Best Value recommendations.
- 4 The council's transformation programme planning and programme management arrangements are clear.
- 5 Officers are clear that future recurring savings will not be sufficient from transformation and workforce changes, cuts in services, and council tax and fees and charges increases are also needed. In 2024/25 the council released 85 staff which delivered approximately £2.5 million recurring savings. A further 45 staff reductions are anticipated in 2025/26.
- 6 The council actively works with partners to identify better ways of delivering its ambitions for North Ayrshire
- 7 The council is systematically measuring and reporting on its performance across its strategic priorities.

Financial management

- 8 Financial management is effective. The council reported a service underspend of £17.0 million against its 2024/25 budget and there was a net increase of £3.489 million in the council's usable reserves to £129.829

million. There is planned use of reserves over the medium term to close funding gaps.

- 9** A new General Fund Capital Investment Programme 2024/25 to 2033/34 is used to inform capital investment and support Council Plan priorities. Cost risks have been identified across a number of projects.
- 10** Long term borrowing has increased in support of the council's capital programme. The council understands the future revenue implications of servicing this debt.

Financial sustainability

- 11** The council approved a balanced budget for 2025/26, which included a council tax increase of seven per cent (£5.0 million) and the use of £4.0 million of reserves, non-recurring savings of £9.5 million from reduced pension contributions and further savings of £4.8 million across directorates. An extensive programme of engagement and consultation with communities was undertaken that helped shape the 2025/26 budget.
- 12** Risks to delivery of the 2025/26 budget include pay awards in excess of the budgeted contribution and the financial challenges facing the IJB.
- 13** The latest Medium Term Financial Outlook to 2027/28 has identified a structural funding gap of £46.7 million. While the council currently has reserves to support the fundings gaps, the reserves can only be spent once. The cost base is not sustainable and there is a risk to the longer term financial sustainability of council services. Elected members will need to make difficult decisions on how the use of resources is prioritised going forward, within its recurring funding.
- 14** Discussions are also currently ongoing on how greater efficiencies could be realised through delivering council services differently in partnership with others.

Vision, leadership and governance

- 15** There is openness and transparency within the council together with appropriate governance and decision-making arrangements.
- 16** The council offers a training programme for members in addition to e-learning and the opportunity to attend Improvement Service events and webinars.

Use of resources to improve outcomes

- 17** 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 two of the plan however the council does not set out in advance what criteria have to be met for an 'on target' judgement to be made for each action.
 - 18** Of the 33 Local Government Benchmarking Framework Performance Indicators (PIs) directly linked to Council Plan 2023-2028 priorities, seventeen priority PIs (52%) were within the top two quartiles for 2023/24.
 - 19** The council's performance, taken from national benchmarking data, shows an improving position year-on year, but overall performance relative to other councils remains constant.
 - 20** HMle reported positively on how the council supports schools to improve the quality of education.
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Introduction

1. Fiona Mitchell-Knight (Audit Director) has been appointed by the Accounts Commission as auditor of North Ayrshire Council for the period from 2022/23 until 2026/27. The 2024/25 financial year was the third 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 2024/25 annual audit of North Ayrshire Council (the council). The scope of the audit was set out in our [Annual Audit Plan](#) presented to the 13 March 2025 meeting of the Audit and Scrutiny Committee. This Annual Audit Report comprises:

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

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 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 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 2024/25 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 judgement

An unmodified independent auditor's report has been issued for the 2024/25 Annual Accounts of the council and its group and the eight section 106 charities administered by the council.

The financial statements now give a true and fair view and were properly prepared in accordance with the financial reporting framework. However a number of significant amendments have been required to the draft accounts to ensure in particular the non-current asset figures are fairly stated.

Identified misstatements of £82.374 million, were adjusted for in the Annual Accounts and we have a number of significant findings to report. These adjustments do not change the reported outturn position or the usable reserves of the council.

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 2025 were approved by the Audit and Scrutiny Committee on 23 September 2025. 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 25 June 2025. 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.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £384,980. We have also agreed an audit fee of £1,100 for the audit of the registered charities administered by the council. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Our audit testing reflected the calculated materiality levels.

16. 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.

17. 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
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the	£16.5 million	£20.4 million

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 2025.

Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65 per cent of overall materiality.	£11.5 million	£14.3 million
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Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.500 million	£1.0 million
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Source: Audit Scotland

Identified misstatements of £82.374 million were adjusted in the 2024/25 accounts.

18. We identified misstatements of £82.374 million in the unaudited Annual Accounts. These arose as a result of classification and valuation of Property, Plant and Equipment. Management have adjusted the Annual Accounts to correct the identified issues. In addition a prior year adjustment resulted in a reduction of £33.673 million in the valuation of the council's housing stock in 2023/24.

19. Further details of these adjustments are included in [Exhibit 2](#).

We have significant findings to report on our audit of the Annual Accounts. A number of significant amendments have been required to ensure in particular the non-current asset figures are fairly stated.

20. 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.

21. 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. Our significant findings are detailed in [exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the action plan in [Appendix 1](#) has been included.

22. The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate. 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>1. Application of International Financial Reporting Standard (IFRS) 16</p> <p>IFRS 16 Leases applied for the first time in 2024/25 and we identified this as an area where there was a significant risk of material misstatement.</p> <p>Through our audit procedures, we identified significant errors in the methodology adopted to apply IFRS 16:</p> <ul style="list-style-type: none"> • On transition to IFRS 16, the council discounted the existing lease liability. This accounts for the concept of time value of money and the principle that money today is worth more than the same amount in the future. Under the previous accounting standard that applied, International Accounting Standard (IAS) 17, the leases had already been discounted. The council discounted the lease liability again in error resulting in a £24.861 million understatement of the council's lease liability. • IFRS 16 states that the lease liability should be remeasured when changes due to indexation take effect in the cash flows. The council's service concession contracts all increase on the 1 April in line with changes in the RPI index. The increase in the council's lease payments due to changes in the RPI index were inaccurately applied resulting in an overstatement of the council's lease liability. Correction for this is included in the overall remeasurement of £24.861 million above. • Clyde Valley Waste is a Private Financial Initiative (PFI) contract which the council has a 17% share in. The council had not initially applied IFRS 16 to this contract. After discussion with other local authorities, the council judged that IFRS 16 should apply to this agreement. We agree with this view. This resulted in a £0.692 million understatement of the council's lease liability. 	<p>The council have amended the 2024/25 accounts.</p> <p>The value of the council's lease liability has increased by £25.553 million.</p> <p><u>Recommendation 1 – Appendix 1 Action Plan</u></p>

Issue	Resolution
<p>2. i3 Strategic Investment Campus</p> <p>In 2024/25, the council agreed to sell the i3 Strategic Investment Campus in Irvine.</p> <p>In error, on putting the asset up for sale, the council created a new asset and did not re-classify the existing asset on its asset register. This resulted in the asset being double counted on the Balance Sheet.</p>	<p>The council have amended the 2024/25 accounts.</p> <p>The value of Property, Plant and Equipment on the Balance Sheet has reduced by £7.281 million. In addition, the revaluation reserve has reduced by £4.1 million and impairments recognised in the Comprehensive Income and Expenditure Statement have increased by £3.181 million.</p> <p>Recommendation 1 – Appendix 1 Action Plan</p>
<p>3. Garages and Lockups</p> <p>The council own 203 lock-up garages and 1,217 garage sites which were all valued in 2024/25.</p> <p>In error, the council included the £0.880 million value of these sites in both council dwellings and land and buildings. This resulted in the asset being double counted on the Balance Sheet.</p>	<p>The council have amended the 2024/25 accounts.</p> <p>The value of Property, Plant and Equipment on the Balance Sheet has reduced by £0.880 million.</p> <p>Recommendation 1 – Appendix 1 Action Plan</p>
<p>4. Moorpark Primary School</p> <p>The newly built Moorpark Primary School was operational in October 2024. At this point, the old school was no longer being used and should have been classified as a surplus asset.</p> <p>In the 2024/25 unaudited accounts, we identified that the council were in error still classifying the old school building as an operational asset. We have been advised the old school is due to be demolished in 2025/26.</p>	<p>The council have amended the 2024/25 accounts.</p> <p>Confirmation of classification as a surplus asset resulted in a reduction in value of £1.250 million.</p> <p>Recommendation 1 – Appendix 1 Action Plan</p>
<p>5. Assets Held for Sale</p> <p>Accounting standards prescribe assets should only be classified as held for sale if it is expected the assets will be disposed of in the next 12 months.</p> <p>We identified two assets where the council had estimated that the assets would be sold in 2026/27. As this is over the 12 month period, both assets should have been classified as surplus assets rather than assets held for sale.</p>	<p>The council have amended the 2024/25 accounts.</p> <p>Surplus assets have increased by £4.742 million and assets held for sale have reduced by the same amount.</p> <p>Recommendation 1 – Appendix 1 Action Plan</p>
<p>6. External Works</p> <p>A significant proportion by value of the council's assets are valued on a Depreciated Replacement Cost (DRC) basis. For DRC valuations, we would</p>	<p>The council have amended the 2024/25 accounts.</p>

Issue	Resolution
<p>normally expect an external works value to be added to the base calculation to include costs of paving, lighting and fencing for example. In the DRC valuations undertaken in 2024/25, there was no value added for external works.</p> <p>Following discussion with the council's valuers, it was agreed that an external works percentage of 5% should be added to schools revalued in 2024/25 which in the valuers' professional opinion is a reasonable estimate across the asset class. For other DRC assets revalued during 2024/25 we agreed that no external works value required to be added, as costs for external works were considered minimal.</p>	<p>The value of Property, Plant and Equipment on the Balance Sheet has increased by £2.037 million.</p> <p><u>Recommendation 1 – Appendix 1 Action Plan</u></p>
<p>7. Valuation of Assets, Differs Materially</p> <p>In Note 40 to the unaudited accounts 'Assumptions Made About the Future and Other Major Sources of estimation uncertainty', the council noted that a materiality threshold of £15.8 million, per asset group, was set in order to determine if the value of assets (with a valuation date other than 31 March 2025) was materially different from their carrying values as at 31 March 2025. The note also explained that when applied to the value of Depreciated Replacement Cost assets which had not been valued in 2024/25, this indicated that the closing value of this asset group may have been £24.4 million lower than their reported value if they had been revalued in 2024/25.</p> <p>In accordance with agreed procedures, a more detailed review was undertaken by Royal Institute of Chartered Surveyors (RICS) qualified staff to assess the impact on values of all other assets within the DRC category of assets. The review raised significant concerns relating to the basis of valuation used in the 2022/23 external valuation of school properties and the valuation team completed a desktop exercise to estimate the potential decrease in value of all those properties impacted. This resulted in a reduction in the valuation of £49.447 million for those schools which has been adjusted for in the 2024/25 accounts. A prior year restatement was not required. This will be supplemented by a full valuation exercise for all impacted school properties during 2025/26.</p>	<p>The council have amended the 2024/25 accounts.</p> <p>The value of Property, Plant and Equipment on the Balance Sheet has reduced by £49.447 million</p> <p>We are satisfied that the assets covered by this year's valuation programme, together with the further work undertaken and the adjustments made to the 2024/25 accounts, have provided sufficient evidence that there is no further indication of material movements with those assets not subject to revaluation in 2024/25.</p> <p><u>Recommendation 1 – Appendix 1 Action Plan</u></p>

Issue	Resolution
<p>8. Prior year adjustment to valuation of council houses</p> <p>In previous years the average rent figure used in the valuations of the council's stock incorrectly included properties used for temporary accommodation at a significantly higher weekly rent. The council excluded these from the 2024/25 valuation but did not apply a retrospective adjustment to the 2023/24 valuation as required by accounting standards.</p>	<p>The council have amended the 2023/24 accounts.</p> <p>The value of Property, Plant and Equipment on the Balance Sheet has reduced by £33.673 million.</p>
<p>9. Pension balance</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>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 2024/25 (2023/24 asset of £0).</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 £20.067 million (2023/24: £23.183 million).</p>	<p>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

Source: Audit Scotland

Other matters identified from our audit of the Annual Accounts

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

- **Impairment of non-current assets:** Accounting standards require the council to assess at the end of each financial year whether there are any indications an asset is impaired. Most assets are valued at least every five years and generally when valued, each asset is subject to a physical inspection. There are however some assets that are never revalued. The council's impairment review is largely limited to assets revalued and should be made more robust and comprehensive. In our opinion that has not resulted in a material misstatement of the assets at 31 March 2025.

Recommendation 2

In order to prevent overstatement of asset values, an impairment review should be conducted whenever there is an indication that an asset might be impaired such as physical damage, obsolescence or restructuring. The existence of an impairment indicator may also suggest that the remaining useful life needs to be adjusted even if no impairment loss is recognised.

24. The council's 2024/25 Management Commentary provides a fair and balanced picture of its performance and operational activity for the year.

25. The Annual Governance Statement provides an appropriate level of disclosure on the council's governance arrangements during 2024/25.

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

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 2024/25 Annual Audit Plan. It also summarises the further

audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the Annual Accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p>Results: Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found arrangements in place were satisfactory.</p> <p>We assessed the design and implementation of controls over journal entry processing. 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>Conclusion: No instances of management override of controls were identified.</p>
<p>2. Valuation of Property, Plant and Equipment</p> <p>North Ayrshire Council held £1,313.3 million of</p>	<p>Review the information provided to the valuer to assess for completeness.</p>	<p>Results: We did not identify any issues with the information provided to the valuer. However our review identified a number of issues</p>

Audit risk	Assurance procedure	Results and conclusions
<p>property, plant, and equipment (PPE) at 31 March 2024, of which £1,052.4 million was land and building assets. North Ayrshire Council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.</p> <p>Risk: Valuations of these assets are materially misstated.</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 2024/25 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>Critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</p>	<p>relating to the classification and valuation of PPE.</p> <p>Our review of the council's valuation team's work, and the current external valuer, identified that External Works had been incorrectly excluded from valuations of DRC properties undertaken during 2024/25. We did not identify any further non-compliance with RICS guidance.</p> <p>An internal review raised significant concerns relating to the basis of valuation used in the 2022/23 external valuation of school properties.</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We found that appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p> <p>Conclusion: We concluded that the assets covered by this year's valuation programme, together with the further work undertaken and the required amendments to the 2024/25 accounts, have provided sufficient evidence that there is no evidence of material misstatement of asset values. The required</p>

Audit risk	Assurance procedure	Results and conclusions
		amendments are set out in Exhibit 2 above.
<p>3. Implementation of IFRS 16</p> <p>From 1 April 2024, a new International Financial Reporting Standard, IFRS 16, came into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use' asset class to the Balance Sheet and recognises the corresponding lease liability. This applies to all leases – property, land, vehicles, plant, and equipment. Specifically, this will also impact on the council's school service concession arrangements (PPP and DBFM). IFRS 16 will change the way in which the council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases.</p> <p>Risk: Valuations of these leases are materially misstated.</p>	<p>Evaluate the design and implementation of controls established by the council over the implementation of IFRS 16.</p> <p>Assess whether service concession arrangements have been accounted for in accordance with the requirements of IFRS 16.</p> <p>Test the IFRS 16 transitional accounting adjustments and confirm these are accurate and comply with the financial reporting framework.</p>	<p>Results</p> <p>On transition to IFRS 16, the council discounted the existing lease liability. However, under IAS 17 the lease had already been discounted resulting in an understatement of the council's lease liability.</p> <p>The council's service concession contracts all increase on the 1 April in line with changes in the RPI index. The increase in the council's lease payments due to changes in the RPI index were inaccurately applied resulting in an overstatement of the council's lease liability.</p> <p>The council incorrectly judged that IFRS 16 did not apply to a PFI contract in which the council has a share. This resulted in a understatement of the council's lease liability.</p> <p>Conclusion: We identified significant errors in the methodology adopted to apply IFRS 16. The required amendments to the 2024/25 accounts are set out in Exhibit 2 above.</p>

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

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

29. Through consideration of the objection, it has been identified that the council has not held an annual putting competition in Largs, to meet the requirements of the Isabella McPhee Memorial Fund. Based on the low numbers of entrants in a similar competition planned previously, there was not sufficient income available from the trust fund to meet the costs of organising the competition and awarding prizes.

30. The council no longer operates the putting green directly. In March 2024, Cabinet approved the lease of Mackerston Putting Green and associated kiosk for a period of five years on a full repairing and insuring lease at a rent of £2,000 per annum. No proposals have been received from any third parties, either members of the community or the lessee, to hold a putting competition.

Qualitative aspects of accounting practices

31. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

32. The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

33. Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.

- There was no evidence of management bias in making the accounting estimates.

34. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 3](#).

Disclosures in the financial statements

35. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

Group audit

36. The body is part of a group and prepares group financial statements. The group is made up of seven components, including the council which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on two of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 4](#).

Exhibit 4

Summary of audit work on the group's components

Group component	Audit procedures	Results of audit work performed
North Ayrshire Council	Audit Scotland– full scope audit	See above; the results of the work are as reported in this Annual Audit Report
Common Good Funds	Audit Scotland– analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Trust Funds	Audit Scotland– analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
North Ayrshire Ventures Trust	Analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Group component	Audit procedures	Results of audit work performed
North Ayrshire Leisure Limited*	Analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Strathclyde Partnership for Transport	Audit Scotland– obtained assurances on the audit procedures carried out on the valuation of land and buildings in SPT	Assurances obtained on the audit procedures carried out on management override, valuation of land and buildings and valuation of pension liability balance in SPT.
Strathclyde Concessionary Travel Scheme Joint Board	Audit Scotland – analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Ayrshire Valuation Joint Board	Audit Scotland – analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
North Ayrshire Integration Joint Board	Audit Scotland – analytical procedures at group level	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

*The unaudited group accounts were prepared using the 2023/24 accounts for North Ayrshire Leisure Limited as the 2024/25 accounts are not yet available. We are satisfied that this has not had a material impact on the group accounts.

Good progress has been made on prior year audit recommendations relating to the Annual Accounts.

37. The council has made good progress towards implementing the two agreed prior year recommendations relating to the Annual Accounts. Both remain ongoing. The Best Value recommendations are considered in the next section of this report and the charities recommendation is considered at paragraphs 43 to 45 below. For actions not yet completed, full implementation is planned for 2025/26 with the exception of the charities recommendation, as recorded in [Appendix 1](#).

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

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

Anderson Park Trust – Charity number SC042136

Douglas Sellers Trust – Charity number SC042101

Margaret Archibald Bequest - Charity number SC042117

North Ayrshire Council Trust – Charity number SC025083

Dalry Trust – Charity number SC043644

Kilbirnie & Glengarnock Trust – Charity number SC043600

Kilwinning Trust – Charity number SC043374

Largs Trust – Charity number SC04349439.

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

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

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

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

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

43. Seven trusts have been dormant for a period of 3 years or more and of these, three Trusts have been dormant for over 7 years. The dormancy of

each identified Trust is disclosed on page 6 of the Trustees annual report. There is no clear plan on how to bring these Trusts back in to use. It is therefore unlikely that these Trusts meet the requirement of public benefit. This was raised as a recommendation in our 2022/23 Annual Audit Report. The council will continue to promote the various funding sources, trusts and bequests available for distribution, ensuring that our staff teams, partners and communities are aware of the available financial supports as recorded in Appendix 1.

44. In order to encourage the utilisation of funds across communities, in particular where the Trusts have been dormant or have low levels of income, the Council agreed in February 2025 that, with the exception of those Trusts with significant balances, the full balance of the Trusts are approved as available for disbursement in 2025/26. Any disbursement which utilises the full capital balance will result in closure and will require the approval of OSCR.

45. During 2024/25 the remaining capital within James Dyer Simpson Fund, H Watt Trust and J H Watt Trust, held within the North Ayrshire Charitable Trust, was disbursed. Approval will be sought from OSCR for winding up of these Trusts. During 2025/26, the funds within Dalry Trust, Kilwinning Trust, Kilbrinie & Glengarnock Trust, Largs Trust, Douglas Sellers Trust and Anderson Park Trust will be exhausted. Approval will also be sought from OSCR for the disbursement of any remaining capital and winding up of these Trusts.

46. The Council approved the Trust Fund Investment Strategy 2024/25 on 18 December 2024. The Strategy set out the principles which ensure that all investments are made on a socially responsible basis. Following an assessment of the external investments held by the Margaret Archibald Trust and the North Ayrshire Council Charitable Trust, two specific shareholdings have been identified as being inconsistent with the strategy and will be sold. The capital receipts will be reinvested through North Ayrshire Council's Loans Fund.

47. We have given an unqualified opinion on the Annual Accounts of the eight charities administered by the council.

2. Best Value audit

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

Conclusion

The council has continued to demonstrate a strong culture of continuous improvement. It has robust arrangements in place to secure Best Value. The council has made good progress with prior year Best Value recommendations.

The council's transformation programme planning and programme management arrangements are clear.

Officers are clear that future recurring savings will not be sufficient from transformation and workforce changes, cuts in services, and council tax and fees and charges increases are also needed. There is scope for the council to consider opportunities for more radical transformational change with partners.

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

The council actively works with partners to identify better ways of delivering its ambitions for North Ayrshire.

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

Best Value work in 2024/25

48. 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](#).

49. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2024/25 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on *Transformation – How councils are redesigning and delivering more efficient services to achieve planned outcomes.*"
- Progress made against Best Value improvement actions made in previous years.
- Council service performance improvement.
- Effectiveness of council performance reporting.

50. 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. We have concluded that the council has continued to demonstrate a strong culture of continuous improvement. It has robust arrangements in place to secure Best Value.

51. At least once over the five-year appointment, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. North Ayrshire Council is included in the third year of the programme. The Controller of Audit Report will be discussed with the Accounts Commission in October 2025.

The council's transformation planning and programme management arrangements are clear. Officers are clear that future recurring savings will not be sufficient from transformation and workforce changes, cuts in services, and council tax and fees and charges increases are also needed.

52. This year auditors were asked to focus on how the council is redesigning and delivering more efficient services to achieve planned outcomes. The results of this work were [reported](#) to the council's elected members at the May 2025 Audit and Scrutiny Committee.

53. The key findings in this report were as follows:

- The council's current transformation programme, known as its Sustainable Change Programme, was approved in 2023 and clearly sets out how it intends to transform its services, in line with its priorities, through five workstreams and six service reviews. Between 2021/22 and 2024/25 the council achieved financial efficiencies from its Sustainable Change Programme of £3.136 million. It plans to make further efficiencies of £8.5 million over the next three years.
- The council's latest Medium Term Financial Outlook has identified a structural funding gap of £46.7m in the three-year period to 2027/28 (including HSCP pressures). Projected savings from transformation fall significantly short of the savings required. Officers are clear that

future recurring savings also need to be made through workforce changes, cuts in services, and council tax and fees and charges increases. However, the transformation programme needs to be sufficiently ambitious to respond to the scale of the financial challenges.

- The council has robust officer-led governance arrangements in place to monitor its Sustainable Change Programme through its Transformation Board. The Executive Leadership Team are all members of the Transformation Board and so are well-sighted on the council's transformation projects. However, there is scope for the council to improve its public reporting on transformation to provide assurance about how the council plans to change, to sustain services in the future.
- The council has a well-established and well-resourced transformation team. It has a Change and Service Redesign Fund - an investment fund created by the council more than eight years ago to help drive transformation. Nearly £0.8 million has been drawn down from the Fund in the last two years although not all of this has been spent on transformation.
- The council has shared examples of where it is working well with partners to deliver transformation with the aim of generating savings and improving outcomes, but its current transformation programme is primarily internally focused. There is scope for the council to consider opportunities for more radical transformational change with partners.
- There are discussions ongoing across the senior leadership of North Ayrshire, East Ayrshire and South Ayrshire Councils to explore further opportunities for public sector reform and collaboration including the Ayrshire Economic Strategy. These developments will be subject to scrutiny by elected members as they progress. Elected members will need to make difficult decisions on how the use of limited resources is prioritised going forward. Plans need to be innovative and ambitious.
- The council has provided good examples of consulting with its communities in relation to transformation projects and using the results to influence how services are delivered. The recent extensive budget engagement process included consultation with residents on many activities overseen by the Transformation Board.
- The council provides regular and detailed information on the financial and non-financial benefits of individual transformation workstreams and service reviews to the Transformation Board. The benefits of individual projects are also reported in individual council reports.

- The council has provided evidence of using Equality and Children's Rights Impact Assessments in relation to its transformation projects, where appropriate, and has provided examples of engagement with user groups leading to changes being made in how services are delivered.

54. Overall, the key messages reflect positively on the council's transformation planning and programme management arrangements. Two 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 progress over the term of our audit appointment.

The council has made good progress with prior year Best Value recommendations.

55. As part of our 2024/25 audit work we followed up on the two outstanding management actions from our 2022/23 work on leadership in the development of the council's strategic priorities. Both have now been implemented:

- The plan to refresh the performance dashboard was completed in August 2025 and the performance dashboard has been developed and published on Sharepoint. In September 2025 Cabinet approved the re-use of performance reporting content in other forms to increase accessibility. This will support the dashboard finalisation. Publication is expected by 31st March 2026 (soft launch based on Mid-Year data).
- There is now a dedicated Climate Change webpage, 'Environment and Sustainability' which holds links to all related public information. In addition, work is ongoing to include the Improvement Service's 'Scottish Climate Intelligence Service' Climate View Platform by early 2026.

56. As part of our 2024/25 audit work, we also followed up on the eight management actions agreed from our 2023/24 thematic work on workforce planning.

57. We have concluded that good progress has been made on all of the recommendations and six are fully implemented, including:

- The Workforce Strategy has been fully updated to align with internal/external factors, workforce challenges, Council Plan priorities and other key strategies/plans.
- An Action Plan aligned to the Workforce Strategy has been agreed and set up on Pentana.
- The Transformation Board has approved the creation of a Digital Programme workstream. The intention is that this will allow digital activities to be monitored against the Council's Digital Strategy.

- A Digital Skills survey, together with an Agile working wellbeing survey were conducted during November/December 2024 which were open to all North Ayrshire Councils employees.

58. Further work is still ongoing on the two actions agreed relating to joint workforce arrangements and development of a performance dashboard to support workforce planning. These actions are included in [Appendix 1](#) for further follow up next year.

The council actively works with partners to identify better ways of delivering its ambitions for North Ayrshire

59. There are discussions ongoing across the senior leadership of East Ayrshire, North Ayrshire and South Ayrshire Councils to explore further opportunities for public sector reform and collaboration including the Ayrshire Economic Strategy. These developments as they progress will be subject to scrutiny by elected members

The delivery of physical regeneration across North Ayrshire is monitored through the Regeneration Delivery Plan Action Programme

60. The Council's Regeneration Delivery Plan (approved in March 2021) sets out the Council's priorities for delivering on the regeneration ambitions of the Council Plan and Community Wealth Building strategy. This is to be achieved working in partnership with others and the communities. A 2025 update was presented to Cabinet in June 2025 and reported on a range of initiatives. Examples include:

- The council carried out significant work with Transport Scotland and Peel Ports Group to progress a revised business case for Ardrossan Harbour. In February 2025, the Scottish Government announced its intention to enter negotiations directly with Peel Ports Group to purchase the port. The Scottish Government updated the Ardrossan Task Force members on 1 September 2025 to advise that Caledonian Maritime Assets Limited (CMAL) continue to actively negotiate with Peel Ports Group on the principles of the 'Head of Terms'. There has been considerable work on this by both parties and this is intensifying further over the coming weeks with a view to finalising the commercial terms of the sale.
- The 2024/25 round of Participatory Budgeting (PB) concluded in December 2024, with 15,882 votes cast across Locality and Youth PB funding rounds. The council's hybrid approach to participation saw voting taking place online and in schools, libraries and community group settings across North Ayrshire, with local people aged 8 and over allocating £171,377 to 190 community-led projects.
- The use of Community Asset Transfers (CATs) continues to allow community groups to increase their capacity and improve local use and ownership of assets. Between May 2024 and May 2025, sixteen Expressions of Interest were submitted, ten groups were working on a full

application and 2 full applications were received. Two CATs were concluded and one was amended from a lease to full ownership to better meet local needs.

The Ayrshire Growth Deal is a ten year programme of investment with partners

61. The Ayrshire Growth Deal (AGD) was signed by the three Ayrshire Councils and the UK and Scottish Governments in March 2019. The Deal is a 10 year programme of investment in the Ayrshire economy with the UK and Scottish Governments contributing £103 million each, with further funding of £45.5 million from the three councils. The Deal is based around five programmes and is projected to unlock private investment of at least £300 million and generate 7,000 jobs.

62. Delivery of North Ayrshire's share of the £251 million Growth Deal programme includes: manufacturing space and a digital hub at i3 in Irvine, International Marine Science & Environmental Centre at Ardrossan; Centre for Research into Low Carbon Energy & Circular Economy at Hunterston; the development of island marina projects and the Great Harbour project in Irvine.

63. The AGD Annual Report 2024/25 notes that one of the key challenges facing AGD is that the delays from previous years have increased the pressure on the pace toward the successful delivery of the Deal. The Report also notes that The Economy and Fair Work Inquiry into City Region Growth Deals highlights many of the challenges facing the AGD and that many of the recommendations contained in that report have resonated with the AGD.

The council is systematically measuring and reporting on its performance across its strategic priorities.

64. 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.

65. In Our Council Plan 2023-28 the council has listed what it wants to achieve for each of its four priorities. These are set out in sections headed up 'We will know we're making progress when...' and includes:

- There is a sustained decrease in the percentage of children living in poverty.
- Communities are directly managing and operating more assets and are allocating community funding to initiatives that are local priorities.
- Carbon emissions are reducing with a clear pathway to net zero.
- Lived experience is central in our approach to improving services and developing policy.

66. The 'Our Council Plan Performance Management Framework' was approved by Cabinet in August 2023. It includes 26 performance indicators directly linked to the council's priorities. Ten of these 26 indicators are from the Local Government Benchmarking Framework (LGBF). All 26 indicators included a baseline value and a target for 2024/25. The council has also identified 33 LGBF indicators that closely link to its priorities within the Council Plan.

67. The council reports on its progress against the priorities set out in 'Our Council Plan 2023-28' every six months to Cabinet and subsequently to the Audit and Scrutiny Committee. The latest six-monthly Council Plan progress report for the period 1 October 2024 to 31 March 2025 was published in September 2025. Progress reports include:

- progress in 26 indicators directly linked to the council's priorities, set out in its Performance Management Framework
- updates on Our Council Plan actions
- case studies to capture real lived experience
- contextual information. A locally developed tool, the Inclusive Growth Dashboard, provides contextual data on trends within North Ayrshire including indicators such as child poverty rates, employability and area-wide climate measures
- progress on the 33 LGBF indicators directly linked to the council's priorities.

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

68. 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 LGBF 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).

69. The council's public performance reporting includes:

- The newly designed Council website was launched in July 2024, and went fully live in September 2024. The website home page has been updated to include a link to the Council plan within the Council Activity section (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).
- Inspections, audits, awards and accreditations are included in the six monthly Council Plan Progress Reports with the initial report for the new Council Plan (Mid-Year 2023-24) approved by Cabinet in January 2024. These reports are also published on the council's website (SPI 2).
- the 'Our Council Plan Performance Management Framework' includes 26 performance indicators directly linked to the council's priorities (SPI 1).

70. In addition to its own performance reporting, the council presented its analysis of the national LGBF 2023/24 results to Cabinet in September 2025 and published the result of this on its website. Further commentary on the LGBF and the council's performance in year is at paragraphs 169 to 174.

71. In our view, the council's public performance reporting 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

Financial management is effective.

The council reported a service underspend of £17.0 million against its 2024/25 budget and there was a net increase of £3.489 million in the council's usable reserves to £129.829 million. There is planned use of reserves over the medium term to close funding gaps.

A new General Fund Capital Investment Programme 2024/25 to 2033/34 is used to inform capital investment and support Council Plan priorities. Cost risks have been identified by the council across a number of projects.

Long term borrowing levels has increased in support of the council's capital programme. The council understands the future revenue implications of servicing this debt.

Financial systems of internal control were effective and internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements.

The council reported a general fund service underspend of £17.0 million.

72. The Council approved a balanced budget for 2024/25 of £427.3 million in February 2024. The budget included a £5.0 million contribution from reserves and additional approved savings of £4.2 million. Budget adjustments throughout the year resulted in a revised budget for 2024/25 of £455.8 million. In addition, earmarked funds of £84.9 million were carried forward from 2023/24 for service expenditure in 2024/25 and were reflected in the figures within the 2024/25 financial performance reports as they were drawn down.

73. In the 2024/25 Annual Accounts, the council reported a total service underspend of £17.0 million. Significant variances against budget are summarised in [Exhibit 5](#),

Exhibit 5

Summary of significant variances against budget

Area	£m	Reason for variance
Underspends		
Employee costs	£3.2 million	Underspend in relation to vacancy management across services. This net overspend is after overspends for mandatory cover for teacher absence (£1.952 million) and waste collection staff absences (£0.693 million).
Financing costs	£11.2 million	Underspend includes revision to annual debt repayment charges under the revised service concession arrangements of £2.7m and £5.2m from a planned underspend linked to the treasury and investment strategy.
Other corporate items	£4.1 million	Includes additional Scottish Government Grants not utilised in year (£2.0m), centrally held provisions in relation to Storm Eowyn not drawn down by services (£0.8m) and centrally held inflationary provisions not drawn down (£0.7m).
	£2.3 million	Renewable energy and other approved strategic investments not spent in year.
Service income and recharges	£1.3 million	Higher than anticipated income across services.

Source: North Ayrshire Council 2024/25 Annual Accounts

74. There was also an overspend of £1.915 million relating to additional costs for external residential and non-residential placements for children and a non-recurring budget transfer of £2.036 million to the IJB, equivalent to the level of overspend on council services within the HSCP.

The Housing Revenue Account underspent by £1.816 million in 2024/25.

75. The Housing Revenue Account budgeted for a breakeven position in 2024/25. An underspend of £1.816 million has been reported, mainly due to savings on loan charges on the HRA Capital Programme. The accumulated

Housing Revenue Account reserve at 31 March 2025 is £22.141 million, this is to support delivery of the HRA Business Plan.

There was a £3.489 million increase in usable reserves to £129.829 million at 31 March 2025. There is planned use of reserves over the medium term to mitigate funding gaps.

76. One of the key measures of the financial health of a council is the level of reserves held. In 2024/25 there was a net increase of £3.489 million in the council's usable reserves, resulting in a total balance of £129.829 million at 31 March 2025 ([Exhibit 6](#)).

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

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

Exhibit 6

North Ayrshire Council – usable reserves

Reserve	31 March 2023 £ million	31 March 2024 £ million	31 March 2025 £ million
General fund	£110.115	£93.385	£94.269
Housing revenue account	£13.685	£20.566	£22.141
Insurance fund	£2.998	£2.558	£2.233
Capital fund	£8.882	£9.831	£11.186
Total usable reserves	£135.680	£126.340	£129.829

Source: North Ayrshire Council Annual Accounts 2022/23 to 2024/25

78. Within the general fund reserve the most significant movements were:

- Planned use of £15.8 million for earmarked spend agreed through decisions taken by members during the year, including £6.5 million to support expansion of Early Learning provision and Education recovery, £3.8 million to support delivery of the Council's Renewal and Recovery Strategy, and £5.0 million to support the 2024/25 budget.

- Increase of £19.1 million mainly due to planned contributions of £11.2 million to the Loans Fund Reserve and £4.1 million relating to specific projects in 2025/26 and beyond.

79. At 31 March 2025, the general fund reserve includes an unearmarked balance of £9.2 million, representing 2% of the expenditure budget for 2024/2025. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with, although at the lower end of, the council's approved strategy of maintaining unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities.

80. The earmarked general fund reserve of £85.1 million includes an earmarked Prudential Investment Fund (Loans Fund Reserve) of £38.0 million which supports borrowing linked to the council's Capital Investment Programme. It was created as part of the 2015/16 budget strategy to utilise short term underspends on General Fund financing budgets to offset longer term pressures to support Prudential Borrowing arising from the Capital Investment Programme. Due to the significant investment planned by the council over the period to 2033/34, the current General Fund financing budgets will be incrementally increased over the period of the programme. This additional funding includes the use of the recurring element of the Service Concession flexibility approved at Council on 15 February 2023 (which resulted in an average contribution of £3.4 million from 2022/23) and the utilisation of the balance of savings from the temporary reduction in the Strathclyde Pension Fund employers' superannuation contributions during 2024/25 and 2025/26 totalling £8.5 million. Delivery of the council's Capital Investment Programme is discussed further at paragraphs 83 to 89.

81. The remainder of the General Fund Reserve, £47.1 million, is earmarked for specific purposes such as the supporting the council's renewal and recovery strategy (£5.2 million) and supporting the medium-term financial planning strategy (£9.3 million).

82. The level of reserves has enabled the council to deliver medium to long-term strategies, fund one-off costs and smooth its core revenue budget requirement. However the Head of Service (Finance) acknowledges that delivering balanced Budgets over the medium-term will be very challenging and will require a range of approaches, including reduced investment in services, further service reform / re-design, income generation, efficiencies from the Sustainable Change Programme, use of council reserves and a level of Council Tax increase that balances inflation against the impact on citizens.

A new General Fund Capital Investment Programme 2024/25 to 2033/34 is used to inform capital investment and support Council Plan priorities.

83. In February 2024 the Council approved a revised the Capital Investment Programme 2024/25 to 2033/34. The review considered the current Capital Investment Programme and cognisance of subsequent changes, including:

- The ongoing impact of construction industry inflation, cost volatility and supply chain issues across the overall Capital Investment Programme;
- Reductions in Scottish Government capital grants as detailed in the Local Government Finance Settlement 2024/25;
- A review of spending profiles across key capital projects to support the Council's priorities; and
- Revised levels of investment across projects, taking cognisance of Council priorities, external funding sources and investing in core assets through asset management plans.

84. The review included an assessment of all funding sources over the 10 years of the plan, including assumed levels of general capital grant, specific grants and an assessment of the level of capital receipts over the period. The capital programme is expected to deliver a total programme of £406.459m to 2033/34. Total available funding has been projected at £189.987m. The balance of funding required to deliver the capital programme will be met through prudential borrowing and is anticipated at £216.472m.

85. In both 2022/23 and 2023/24 we reported that there was scope for the council to improve its forecasting of capital projects and more accurately plan expenditure, recognising the extent of optimism bias that appears to have existed. Officers have confirmed that in response to our recommendation, the phasing of expenditure within the approved Capital Investment Programme for 2024/25 to 2033/34 was reviewed to reflect historic expenditure patterns and organisational capacity. This has resulted in the rephasing of approximately 19% of the planned expenditure in both 2024/25 and 2025/26 for delivery in later years, without impacting on the overall value of investment within the programme.

86. Both capital and revenue financial resources across the General Fund and Housing Revenue Account are used to maintain the current asset base. The Council's Capital Investment Strategy has been developed in line with the requirements of the Prudential Code and brings together the various asset management plans and strategies across the Council, aligning investment plans with these strategies and with strategic priorities. Individual asset management plans are then updated on an annual basis.

87. The capital programme is reviewed by Cabinet on an on-going basis with any additional funding brought forward for approval as appropriate. Major reviews are undertaken on a 3-year basis, with the next due to be completed during 2026/27.

88. The council's asset management plans include details of lifecycle investment costs required to maintain assets and infrastructure to an appropriate standard that supports service delivery. Progress is reported to Cabinet on a bi-annual basis. The council has classified its assets into six categories: Open Space; Property; Fleet, Plant and Equipment; Roads, Structures and Lighting; ICT; and Housing.

89. Due to the significant investment planned by North Ayrshire Council over the period to 2033/34, it is projected that the Prudential Investment Fund will be exhausted before the end of the current 10 year Capital Investment Programme. The council acknowledge that in order to ensure the affordability of current and future capital investments beyond this, it will be necessary to incrementally increase the current General Fund financing budgets over the period of the programme. A review of these budgets was undertaken in February 2024 as part of the General Services Revenue Estimates 2024/25 to 2026/27, to support the delivery of the Capital Investment Programme. An incremental contribution of £0.250 million per annum from 2024/25, increasing to £0.450 million from 2025/26 and £0.500 million per annum from 2026/27 was approved. In February 2025 a further incremental contribution of £0.025 million per annum from 2026/27 was approved.

Approximately 19% of planned capital expenditure in both 2024/25 and 2025/26 has been rephased for delivery in later years.

90. The General Services (GS) Capital Investment Programme included a budget of £118.728 million for 2024/25. The Housing Revenue Account (HRA) Capital Investment Programme included a budget of £52.011 million for 2024/25.

91. The final outturn report for GS is an underspend of £0.4 million against a revised budget of £91.379 million, as shown in [Exhibit 7](#) below. The final outturn position for the HRA is an underspend of £2.897 million against a revised budget of £41.863 million.

Exhibit 7

North Ayrshire Council – capital expenditure to 31 March 2025

Capital Expenditure to 31 March 2025

The actual expenditure and income is summarised by service in the following table:

Service / Category	Approved Budget 2024/25 £ million	Carry Forwards and Adjustments £ million	Revised Budget 2024/25 £ million	Expenditure / Income to 31 March 2025 £ million	Variance Over / (Under) £ million
Corporate Services	0.423	(0.010)	0.413	0.413	0.000
Communities & Housing	0.001	(0.001)	0.000	0.000	0.000
Education	15.036	(2.136)	12.900	12.844	(0.056)
HSCP	1.830	(0.711)	1.119	1.119	0.000
Place	99.437	(22.490)	76.947	76.592	(0.355)
Other Items	2.001	(2.001)	0.000	0.000	0.000
Total Expenditure	118.728	(27.349)	91.379	90.968	(0.411)
General Grants	(10.514)	0.041	(10.473)	(10.473)	0.000
Specific Grants	(16.014)	7.939	(8.075)	(8.075)	0.000
Use of Reserve Funds	(3.020)	2.610	(0.410)	(0.410)	0.000
CFCR	(1.607)	(1.705)	(3.312)	(3.312)	0.000
Capital Receipts	(4.304)	3.972	(0.332)	(0.332)	0.000
Other Grants & Contributions	(3.889)	0.967	(2.922)	(2.922)	0.000
Prudential Borrowing	(79.380)	13.525	(65.855)	(65.444)	0.411
Total Income	(118.728)	27.349	(91.379)	(90.968)	0.411

Source: North Ayrshire Council

There continue to be challenges in the construction industry that may impact on the council's capital programmes.

92. Areas of cost risk have been identified by the council across a number of projects. These risks are linked to a number of factors, including cost volatility linked to inflationary pressures; limited availability of contractors, supply chain issues and material shortages which are impacting on tender returns and the cost of materials; delays resulting from interaction with external agencies and regulators; and other contract management issues across a number of projects.

93. Specific projects where cost risks have been identified or are anticipated, include Ardrossan North Shore development, incorporating the new campus which will deliver primary, secondary, and early years provision as well as community use sport, theatre and leisure facilities. Some mitigation has been built into the capital programmes in the form of flexibility budgets, totalling £25 million over the next few years, although it

is recognised that cost pressures may exceed this provision. Officers have confirmed that these risks will be quantified as individual projects are completed and tendering exercises are finalised, with the impact on the costs of the programme being monitored and reported to Cabinet as appropriate.

94. Total capital investment of £331.483 million from the Council's General Fund is planned over the period from 2025/26 to 2033/34 and £375.868 million from the HRA is planned over the period from 2025/26 to 2034/35, supporting the four key strategic priorities from the Council Plan. This includes planned expenditure of £64.0 million towards the Ayrshire Growth Deal (AGD) to 2029/30. The total level of AGD investment across Ayrshire will be in the region of £251.5m (including £103m commitments from both the UK and Scottish Governments).

95. The GF Capital Plan includes £111.7 million planned investment in Education. This includes:

- £86.8 million for the Ardrossan Campus (see paragraph 96); and
- £6.5 million relating to Universal school meals expansion;
- £7.5 million relating to schools ICT investment.

Other major projects include Roads Improvement/Reconstruction (£34.3 million) and B714 Improvements (£27.0 million).

96. In a report to Council in June 2025, cost pressures were reported throughout the Ardrossan Campus project which has resulted in a projected final cost for the Ardrossan Campus of £114.6 million which is £27.8 million (32%) above the initial budget allocation of £86.8 million. In particular, a review of project costs identified a significant gap between the cost plans prepared prior to market testing and the actual plans. Action taken to reduce cost pressures in the project included a move away from the Passivhaus building standard under which the buildings' fabric is superior to most current building standards, to deliver potential energy savings year after year. We are told this is a change that has been made by a number of councils.

97. The Council approved the additional budget provision of £27.8 million to be funded through £4 million additional awarded by Scottish Futures Trust, a re-direction of £7.8 million from existing capital flexibility and additional borrowing of up to £16 million, at an annual revenue cost of £0.912 million per annum.

98. The HRA Capital Investment Plan supports the delivery of 1,641 new homes by 2029 and planned buybacks of 65 units over the next five years, as well as £184.847 million of improvements to existing stock.

Roads backlog maintenance stands at £38.5 million with a 'steady state' requirement for maintaining the roads at present condition of £5.5 million per year.

99. North Ayrshire Council's roads are the council's largest community asset. The estimated carriageway maintenance backlog figure for North Ayrshire is currently £38.5m. The latest 2025 Road Condition Indicator (RCI) for the council is 30.6, which signifies that 30.6% of roads should be considered for treatment. This shows a 1.9% positive shift when compared to the 2024 figure of 32.5%.

100. The 'steady state' figure for maintaining the roads at present condition is £5.5m per year. The capital budget supported by revenue funding is £4.3 million for 2025/26. At the Council's budget setting meeting on 26 February 2025 a further £1.0 million was allocated to road maintenance providing a total budget for 2025/26 of £5.3 million.

101. The capital programme for the period 2026/27 to 2033/34 details that £3.8m of capital investment is planned annually on roads improvement/reconstruction. Additional revenue funding will reduce the gap between investment and the 'steady state' figure and counter inflationary increases in contractor and material costs. However, it does not contribute towards the challenge of backlog maintenance of £38.5 million.

102. The average annual budget calculated in the models for each authority, to maintain 'steady state', excludes any allowance for inflation or discount levels over the next ten-year period. It also excludes the additional costs associated with surfacing works on Arran. The council acknowledge that if does not maintain the above steady state expenditure over the next ten years for carriageway surfacing, then the carriageway asset will deteriorate, resulting in an increase in the overall network RCI.

Long term borrowing has increased by 64% in support of the council's capital programme.

103. A greater reliance on borrowing to fund capital programmes increases the pressures on revenue budgets over the longer term. At 31 March 2025, long term borrowing stood at £377.608 million, an increase of £123.192 million (64%) on the 2024 level of £254.416 million. During the same period, short-term borrowing decreased from £65.151 million to £54.451 million, a decrease of £10.7 million. The reduction reflects the scheduled repayments of debt which matured during the financial year.

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

104. The council remained within its authorised capital financing requirement (CFR) of £541.275 million, with gross external debt being £469.138 million. This is lower than the CFR as the Council continues with its strategy to use internal funds. The ratio of net revenue used for paying for the borrowing finance cost (loan interest) was 23.4 per cent for housing and 3.0 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.

105. The national average ratio of financing costs to net revenue stream in 2023/24 was 23.8 per cent for housing and 5.8 per cent for non-housing. North Ayrshire Council are performing well with the non-housing ratio being around 3 per cent lower than the Scottish average. The rising ratio within the HRA is indicative of the significant capital investment programme as outlined in the Strategic Housing Investment Plan.

106. The Treasury Management Strategy for 2025/26 sets out that the borrowing needs to support delivery of the capital programme will increase to £821.544m by 2030/31 and then reduce annually to 2033/34. This could present a risk to the council because 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.

107. The council acknowledge this, and it is anticipated that if there is a significant risk of a sharp rise in long and short-term rates than currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they are expected to be in the next few years.

108. The council continues to manage its borrowing through its treasury management and investment strategy. Updates on the investment position of the Council are reported to Cabinet in the Mid-Year Treasury Report and the Annual Treasury Report is submitted to the Council after the end of the financial year.

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

109. 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.

110. 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 to enable effective scrutiny from members.

Key financial information overtime shows how the council has managed its financial pressures effectively to date

111. [Exhibit 8](#) shows how the council has managed its financial pressures to date

Exhibit 8

Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	Planned 2025/26 (£m)
Budget gap	12.315	19.267	22.574	18.867
Planned to be met via:				
Savings and flexibilities	-9.876	-12.448	-17.562	-8.539
Use of reserves	0.000	-3.410	-5.000	-4.000
Additional council tax / funding	-2.439	-3.409	-0.012	-6.328
Actual				
Savings delivered*	-9.876	-12.448	-17.562	-8.539
Reserves				
Use of / (contribution to) reserves	0.000	-3.410	-5.000	-4.000
Total usable reserves carried forward	135.680	126.340	129.829	
General Fund:				
Earmarked	102.062	84.940	85.088	
Uncommitted	8.053	8.445	9.181	

Source: North Ayrshire Council's annual accounts and Council Revenue Plans

*savings delivered equals savings planned because amounts are top-sliced from departmental budgets

Financial systems of internal control were effective.

112. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we have not identified any issues that represent a risk of material misstatement for the 2024/25 Annual Accounts.

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

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2024/25.

114. 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.

115. The internal audit plan was approved by the Audit and Scrutiny Committee in March 2024 with a mid-year change to the plan approved in October 2024. The mid-year revised plan included 17 assignments where an audit output was anticipated with a further 3 unplanned investigations undertaken during the year. At the end of May 2025, 10 of these assignments had been completed, 2 were at draft report stage, 7 were currently work in progress and one had not yet started. The results of the draft reports and work in progress assignments will be reported to a future meeting of the Audit and Scrutiny Committee.

116. Internal audit's annual report, presented to the May 2025 Audit and Scrutiny Committee, concluded that reasonable assurance can be placed over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2024/25

117. All audit reports finalised during 2024/25 were reported to meetings of the Audit and Scrutiny Committee. The outcomes from the audit work during the year provided mostly substantial and reasonable assurance opinions however five resulted in a limited assurance opinion. These related to:

- Education Leavers and Movers – A number of findings were identified including a lack of formal notification procedures, forms not being completed in full and/or on time and a lack of routine

reviews by school management to identify staff who had left or moved.

- **Missing Laptops** – A review of the arrangements surrounding the delivery and deployment of devices to Lockhart, in August 2021, identified that standard receipting and deployment processes were not adhered to at the time and supporting documentation was no longer available due to staff leaving and a change in the IT case management system. Some devices remain unaccounted for.
- **Accounts Payable Transaction Testing** – Invoice testing identified that a certificate of payment for £3.7 million for a large capital project was paid twice in error and subsequently corrected following notification from the contractor. The review also identified a further 41 potential duplicate invoices totalling £123,282.71 which had not already been identified. The Accounts Payable team have reviewed the potential duplicates and confirmed the value of actual duplicates was £60,294.75 which they are in the process of recovering.
- **Community Associations** – An audit of the arrangements for ensuring that community associations (CA) were complying with the terms of their SLAs, identified that there was no formal process for monitoring compliance with SLAs and evidence of compliance was not always retained by the Council.
- **HSCP Online Bank Account** – The audit identified that purchases had been made from the account that did not adhere to the Council's procurement processes, the records held for the bank account were incomplete and staff responsible for the management of the account had not completed financial training. The account was held outwith the Council's corporate bank accounts.

118. A number of actions have been agreed to address these issues.

119. In line with the Public Sector Internal Audit Standards (PSIAS) there is a requirement for the internal audit function to be independently reviewed once every five-years. We reported in 2022/23 that the review of the Council's Internal Audit team was completed by West Dunbartonshire Council and was reported to the Audit and Scrutiny Committee in September 2022. Overall, the assessor was able to provide substantial assurance that the Council's Internal Audit team complies with the requirements of the PSIAS.

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

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

121. A Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation. The team received 331 referrals for investigation during 2024/25 (2023/24: 398 referrals). All referrals made to the team are investigated. 359 cases were closed during 2024/25 (2023/24: 385 cases) with results achieved (fraud, error or other recovery/action) in 113 cases. Fraud and error totalling £0.057 million was identified.

122. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The latest data sets were submitted to the Cabinet Office in October 2024, with initial matches released in December 2024. Further releases have occurred since December and more are expected throughout 2025. This information has been disseminated to the appropriate teams across the council for investigation as matches are released. Data was uploaded in support of the ReCheck exercise in January 2025, with matches released back to the Council in January 2025 and again in March 2025.

123. 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 2025/26, which included a council tax increase of seven per cent (£5.0 million) and the use of £4.0 million of reserves, non-recurring savings of £9.5 million from reduced pension contributions and further savings of £4.8 million across Directorates. An extensive programme of engagement and consultation with communities was undertaken that helped shape the 2025/26 budget.

Significant risks exist to achieving financial balance in 2025/26. These include pay awards in excess of the budgeted contribution and the financial challenges facing the IJB.

The latest MTFO which covers the three-year period to 2027/28 has identified a structural funding gap of £46.7 million. The underlying service cost base is not sustainable and reserves will be depleted over the longer term unless future recurring savings are made through transformation of services, service reduction, service withdrawal and income generation.

In 2024/25 the council released 85 staff which delivered approximately £2.5 million recurring savings. A further 45 staff reductions are anticipated in 2025/26.

Discussions are also currently ongoing on how efficiencies could be realised through delivering council services differently in partnership with others. Elected members will need to make difficult decisions on how the use of resources is prioritised going forward, within its recurring funding.

High absence rates continue to be reported in areas which require cover arrangements, specifically teachers and waste collection incurring additional costs of £2.6 million.

The council approved a balanced budget for 2025/26. To achieve this council tax was increased by seven per cent (£5.0 million) and the use of £4.0 million of reserves was approved. Non-recurring savings of £9.5 million from reduced pension contributions and savings of £4.8 million across directorates were also required.

124. . 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 2025, [Local Government in Scotland Financial Bulletin 2023/24](#), the Accounts Commission noted that:

- In 2023/24, councils' total revenue and income fell, including another real terms decrease in revenue funding from the Scottish Government;
- In 2023/24, capital funding remained constrained, with councils borrowing more and managing a range of complex funding models;
- In 2023/24, usable reserves, which are those that can be used to support service delivery, reduced and most are already committed for specific purposes; and
- Councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability.

125. In its May 2025 [Local government budgets 2025/26](#) briefing, the Accounts Commission commented that councils must cover a budget shortfall of £647 million in 2025/26 and that whilst councils have partly met this shortfall through service savings and increased charges for services, continuing to use reserves and make one-off savings isn't sustainable. The Accounts Commission also commented that longer-term change in the way services are delivered is happening but must accelerate.

126. Against this increasingly challenging financial environment, the Council were presented in February 2025 with a balanced budget for 2025/26 of £459.065 million. To achieve this, council tax was increased by seven per cent (£5.0 million) and the use of £4.0 million of reserves was approved. Non-recurring savings of £9.5 million from reduced pension contributions and further savings of £4.8 million across Directorates were also required. Total funding also includes an annual uplift of 5% to fees and charges.

127. Directorate savings of £4.8 million are required in 2025/26. In addition to £2.254 million savings which had already been built into the budget, the excess of expenditure over funding produced a further savings requirement of £2.547 million for 2025/26. Ten savings proposals were included in the budget papers for members approval to deliver a balanced budget. New savings proposed included realignment of teaching resources of £1.174 million relating to a reduction in teacher numbers of

28.0 FTE, £0.305 million from a review of KA Leisure and £0.211 million from a 5% increase in fees and charges (excluding school meals).

128. North Ayrshire Council's anticipated Scottish Government funding support, as distributed, for 2025/26 is £375.310 million. The Local Government Settlement resulted in an increase of £7.254 million in core grant funding (2.05%) when compared to the 2024/25 settlement. The Settlement did not include any funding to support the increase in employer national insurance contributions that came into effect from April 2025. For the council the total cost of this policy change in relation to direct staff is £6.618 million (including the HSCP).

129. Council Tax income represents around 16% of the council's funding. The MTFP includes an increase of 7% in Council Tax in 2025/26, with a further 5% increase planned for 2026/27 and 2027/28. Councils have the power to vary the Council Tax charge for second homes from the current 100% charge, to include a premium of up to a further 100% of the applicable Council Tax charge. Following a period of consultation during 2024/25, North Ayrshire Council at its meeting on 12 February 2025 approved the application of the 100% premium. The council has approximately 1500 second homes, almost all of which are on Arran and Cumbrae.

There are risks exist to the council achieving the 2025/26 budget.

130. There are a number of significant financial risks that the council is managing for 2025/26. The first relates to the risk of the 2025/26 pay award being agreed at a level in excess of the budgeted 3% contribution. This has now been settled at 4% for 2025/26 (excluding Teachers who have not yet settled). Without any further Scottish Government support this will have a material impact on the council's finances.

131. The second risk relates to the IJB's ability to address budget pressures through the delivery of equivalent savings and with the use of any available reserves. The council provided additional financial support to the IJB of £2.036 million in 2024/25 equivalent to the level of overspend on Council services. At 31 March 2025, the IJB held no unearmarked reserves and £3.2 million of earmarked reserves which are anticipated to be drawn down during 2025/26. The IJB set a balanced budget for 2025/26 on 20 March 2025. This did not include any draw on reserves but did include the approval of £4.019 million of savings to achieve financial balance.

132. The position reported to Cabinet in August 2025 indicates that the IJB project an overspend of £5.187 million (1.5%) on council services in 2025/26, reduced to £1.175 million through identified financial recovery actions. A Finance Working Group which includes the council's Head of Service (Finance), meets monthly to facilitate increased oversight and scrutiny of the financial position and transformation programme. The

current planning assumption for years 2026/27 and 2027/28 from the Council is that the financial pressures facing the IJB will be met by savings and recovery actions.

The council's latest medium-term financial outlook (MTFO) which covers the three-year period to 2027/28 has identified a structural funding gap of £46.7 million (including the HSCP).

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

134. The latest LTFO 2024/25 to 2033/34 was presented to the Council in December 2023 and identifies an estimated funding shortfall of £127 million over the next ten years which the Council requires to address. This includes anticipated pressures in relation to the HSCP and is based on best estimates with sensitivity analyses highlighting the implications of changes to the underlying assumptions. While the council currently has reserves to support its fundings gaps, the reserves can only be spent once. The cost base is not sustainable and there is a risk to the longer term financial sustainability of council services.

135. The latest MTFO for the period 2025/26 to 2027/27 was presented to the Council in October 2024, draws on the same data and projections as the LTFO and has identified a number of specific financial challenges in relation to the availability of Scottish Government funding for local authorities, the impact that anticipated demographic profile and other demand and cost pressures will have on the Council's cost base, and the strategies available to address the resultant funding gap. This has identified a structural funding gap of £46.7 million (including the HSCP) which must be addressed as part of the Council's Medium-Term Financial Plan. Given the current financial landscape, future savings must be made through the urgent transformation of services to bridge this gap.

136. Key assumptions within the MTFO include:

- Workforce costs - The current planning assumption across the medium and long-term is for the Council funding element of pay awards to remain at a 3% increase each year. Also included is the planned decrease to Strathclyde Pension Fund contribution rates from 19.3% to 6.5% for 2025/26 before increasing to 17.5% from 2026/27.
- Local Government Funding - The LTFO forecast includes a flat cash funding projection over the duration of the next 2 years followed by funding

reductions from 2027/28 as the impact of the declining North Ayrshire population demographic reduces the proportionate share of national resources. For 2025/26 Council tax was projected at a 5% increase (actual 7%) and 3% for 2026/27 and 2027/28.

- Reserves - Approved reserves to support the budgets are £4 million in 2025/25, £3.5 million in 2026/27 and £2.8 million in 2027/28.

137. The anticipated funding gap position of the Council (including the HSCP) over the period is provided in [Exhibit 9](#) below. This does not incorporate any planned use of reserves noted above.

Exhibit 9

MTFO - budget gap 2025/26 - 2027/28

	2025/26 £'million	2026/27 £'million	2027/28 £'million	Total gap £'million
General Fund Gross Funding gap	13.2	7.4	7.9	28.5
HSCP Pressures	5.4	6.4	6.4	18.2
Total	18.6	13.8	14.3	46.7

Source: North Ayrshire Council

- **HSCP:** Information on anticipated pressures and proposed savings options are shared with North Ayrshire Council to inform the allocation of resources delegated to the IJB. The level of contribution to the HSCP is based on an anticipated “flat cash” planning assumption where the HSCP address budget pressures through the delivery of equivalent savings and with the use of any available reserves. The HSCP have identified financial pressures of £18.2 million over the next 3 years.

138. An updated MTFO is expected to be presented to the Council in December 2025 following confirmation of the Scottish Budget for 2026/27 and the Local Government settlement.

An extensive programme of engagement and consultation with communities was undertaken as part of the 2025/26 budget process that set out the scale of the financial challenge facing the council.

139. Before the Council considered the range of budget proposals and the level of Council tax for 2025/26, an extensive programme of engagement

and consultation with communities was undertaken that set out the scale of the financial challenge facing the council. The engagement ran from 10 October 2024 to 21 November 2024 and included surveys across six main themes as well as in person and online focus groups. The six main themes each included a number of proposals which included:

- Realign the level of teaching resource across North Ayrshire schools (£2.0 million saving each year)
- Review of School Crossing Patrollers (£0.3 million saving in 2025/26)
- Apply a 100% Council Tax Premium on Second Homes (£1.5 million additional revenue in 2025/26)
- Increase in the level of Council Tax (the consultation sets out the annual Council tax bill based on increases from 1% to 10% with additional revenue of £0.6 million to £6.5 million)

140. The programme resulted in 4,461 responses across the six themes, with more detailed feedback on proposals and engagement with community groups across North Ayrshire. The engagement has also enabled residents to bring petitions on specific options to the Audit and Scrutiny Committee and Cabinet. Full details of feedback across all areas were presented to the Council on 12 February 2025, for elected member consideration in advance of setting the Council Budget on 26 February 2025.

The Transformation Board provides the strategic integration and ownership of the council's transformation plans.

141. Our May 2025 Best Value thematic report outlined at Section 2, identifies that good progress continues to be made in developing the Sustainable Change Programme and that financial efficiencies generated from the programme will help address budget gaps over the medium-term. The Transformation Board continues to look for new projects that have the potential to deliver a material financial benefit to the council. The current workstreams include:

- Use of Land and Property Assets including commercial and non-commercial property - This includes a major operational property review within the Irvine locality and a programme to maximise all commercial property revenue;
- Transport and Travel and decarbonisation of the Council fleet;
- Sustainability initiatives including major solar renewable energy investment in Nethermains and Shewalton;

- Digital Initiatives – Including Accessing Our Council and Financial Inclusion services, maximising digital opportunities around support and contact; and
- A range of Service reviews including Waste Services, Housing Services, Learning resources, Additional support needs, Economic Development, Growth and Regeneration and the Brighter Pathways programme led by the HSCP which looks at high cost external residential placements for children and considers alternative settings of care to deliver better outcomes and reduce cost.

142. Officers are clear however that future recurring savings will not be sufficient from transformation. National initiatives through the Improvement Service and Digital Office could also provide further opportunities for councils to take a collective approach to areas of service delivery but these are at an early stage. The Council also continues to explore opportunities for delivering services working with partners. This is discussed further in the Best Value section of the report.

In 2025/26 the workforce is projected to reduce by 45.2 FTE's.

144. During 2024/25 the Council continued to progress a Voluntary Early Release (VER) programme. This process has considered the scale of the financial challenges and an assessment of the impact on service delivery and associated costs of exit for those staff who have volunteered for consideration. A total of 85 staff were released by 31 March 2025 which delivered approximately £2.5 million recurring savings.

145. At 1 April 2025, North Ayrshire Council employed 7,621 staff, equivalent to 6,451 FTE posts. Anticipated workforce implications associated with the MTFP are summarised in [Exhibit 10](#) below.

Exhibit 10

MTFP – anticipated workforce implications 2024/25 – 2027/28

Category	2025/26 FTE	2026/27 FTE	2027/28 FTE
Operational budget adjustment	(8.0)	(5.0)	-
Previously approved savings	(0.7)	-	-
Pressures and growth	6.0	-	-
New savings options	(42.5)	(2.3)	--
Total workforce implications	(45.2)	(7.3)	

Source: North Ayrshire Council

146. In 2025/26 the workforce is projected to reduce by 45.2 FTE's. The reduction will be managed through natural attrition, vacancy management,

through the Vacancy Scrutiny Panel, redeployment and, where appropriate, voluntary early release.

High absence rates continue to be reported in areas which require staff cover arrangements, specifically teachers and waste collection. In 2024/25 this resulted in additional costs of £2.6 million.

147. In 2024/25, the average days lost through sickness increased, per FTE to 12.76 days (10.82 days in 2023/24). This is above the council's target rate of 10.47 days. High absence rates continue to be reported in areas which require cover arrangements, specifically teachers (costing £1.952 million) and waste collection (costing £0.693 million). Waste Services report cumulative sickness absence rate of 30.42 days per employee from April 2024 to March 2025. Overtime costs of £1.05 million were incurred by the HSCP to provide absence cover requirements.

148. Officers have confirmed that during 2024/25, increased emphasis has been managing sickness absence through improved data recording and reporting, increasing monitoring and re-education of managers. They have highlighted:

- 64% of Services/Sections either met their absence target or improved their days lost per FTE from 2023/24;
- The Council absence position improved at Q4 2024/25 compared to Q4 2023/24;
- There was a reduction in the number of long term absence cases in 2025 compared to 2024;
- A higher percentage of the workforce had no absence up to Q4 2024/25 compared to the previous year;
- The Council has the joint 4th lowest level of absence for both the Teaching and Non-Teaching categories within their Local Government Benchmarking Framework family group 2023/24. Additionally, the Council's figure is lower than the Scotland overall absence figure in the Non-Teaching category; and
- High levels of engagement have been experienced with attendance at the HR absence sessions for line managers.

149. A dedicated resource has been recruited to monitor and review the absence management process in waste management. The absence rates reflect an improving position, however they are still above target rates. Resources out-with waste collections have received HGV training to help provide cover for collections. An overall review of the waste service in light of legislative changes and current service demands is ongoing.

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

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

There are appropriate governance and decision-making arrangements in place at the council.

The council offers a training programme for members in addition to e-learning and the opportunity to attend Improvement Service events and webinars.

Partners should review the range of Ayrshire Growth Deal papers considered 'in private'.

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

150. 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.

151. 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. The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The Annual Governance Statement is approved annually by the Audit and Scrutiny Committee and published on the council's website.

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

There are appropriate governance and decision-making arrangements in place at the council.

153. 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.

154. An annual review of governance arrangements is reported to the Council. Following the last review in September 2024 the Scheme of Delegation was reformatted to reflect the Council's new directorate structure.

The council offers a training programme for members in addition to e-learning and the opportunity to attend Improvement Service events and webinars

155. The Accounts Commission report on "Roles and Working Relationships - Are you still getting it right?" emphasised that Councillors need the skills and tools to carry out their role. This includes training in relation to both Council and ALEO responsibilities, as well as scrutiny, audit and financial decision making.

156. A report on development support provided to members during the period September 2024 to August 2025, on attendance rates, feedback from current activities and on future planned development was presented to the August 2025 Audit and Scrutiny Committee. The report noted that the council offers a full training programme for members in addition to e-learning and the opportunity to attend Improvement Service events and webinars. The number of internal development sessions held between September 24 – August 25 was 18 sessions. Individual member attendance varied between attendance at 16 sessions to attendance at none.

157. The report also noted that members have access to e-learning modules on the iLearn system and although take up of this learning is low although, one member completed eleven courses. These courses included Cyber Security, Procurement and Transformation. Overall there were 155 separate Member attendances at development sessions between Sep 24 and Aug 25. These figures include those aimed at specific committee members (i.e. Appeals and Planning Committees).

158. The Council offers members an annual 1-2-1 Personal Development Plan discussion to discuss their development needs. The report notes

that whilst take up for this is historically low several members have approached Learning & Organisational Development with specific requests which have been actioned.

Progress with the Ayrshire Growth Deal is reported but the AEPB considers many papers in private

159. The Economy and Fair Work Inquiry report notes that in its 2023 report, *Scotland's City Region and Growth Deals: Progress of the 2020 audit report recommendations*, Audit Scotland highlighted the need for transparency, and that information should be available to the public so that people can see why particular decisions on specific growth deal projects were made. The report also notes that whilst deals have made good progress in raising public awareness, this is not consistent across all deals and in some cases decisions and information on project selection are hard to find in council committee papers.

160. The reporting process within the Council for the Ayrshire Growth Deal progress involves routine capital and revenue monitoring through the Capital Programme Assets Group and revenue budgetary control reporting to committee. There are also special bi-monthly Executive Leadership Team meetings. Progress reports are also submitted to the Project Management Office (PMO) which sits within East Ayrshire Council. These reports are provided monthly, quarterly, bi-annually and annually and the PMO collates the returns from the three Ayrshire councils and reports to the Ayrshire Economic Partnership Board (AEPB).

161. Our review of available agendas and reports for 2024 and 2025 AEPB meetings found that whilst some agendas are available, many of the papers are not because 'information contained within the following report is confidential information within the meaning of Section 50A of the 1973 Act.' One of the papers not available is the AGD Annual Report 2024/25. The council representatives on the AEPB should review the range of reports it discusses in private and consider whether they feel it is getting the balance right between open and closed consideration of items.

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 two of the plan however the council does not set out in advance what criteria have to be met for an 'on target' judgement to be made for each action.

Of the 33 LGBF PIs directly linked to Council Plan 2023-2028 priorities, seventeen priority PIs (52%) were within the top two quartiles for 2023/24.

The council's performance, taken from national benchmarking data, shows an improving position year-on year, but overall performance relative to other councils has remained constant.

HMIe reported positively on how the council supports schools to improve the quality of education.

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 two of the plan however the council does not set out in advance what criteria have to be met for an 'on target' judgement to be made for each action.

162. Annual performance reporting to Cabinet in September 2025 combined three key Council Plan and corporate performance reports:

- The Council Plan Six Monthly Progress Report (1st October 2024 to 31st March 2025)
- The Annual Performance Report 2024/25

- The Local Government Benchmarking Framework (LGBF) - Analysis of June 2025 Data Release

163. The latest six-monthly Council Plan progress report for the period 1 October 2024 to 31 March 2025 highlights that of the 46 actions in the Plan, 45 were assessed as on target and only one was assessed as slightly adrift of target (CP10: Increase the number of homes in the area through a mix of private and social developments and bringing empty buildings back in to use).

164. The actions within the Council Plan are high level and mapped to the four priorities and strategies. Progress on the actions is explained within the narrative of the six-monthly report as well as in the “Performance Summary” section, with RAG status recorded in the “Action Tracker” at the end of the report. In the narrative, a “Next Steps” section is included under each priority to record improvement actions. Officers have confirmed that this provides an opportunity to immediately respond to, or pre-empt areas for improvement and development without waiting for strategies to be amended or for actions to become off-target.

165. However by recording areas identified for improvement, this does not necessarily corroborate that the 46 areas are ‘on track’. We reviewed background information on progress recorded in Pentana for a sample of eight ‘on target’ actions and concluded that for two of the sample, CP24 - Ensuring an inclusive, fair, rights-based and asset-based approach in our work, and CP41 - Using dynamic data and lived experiences to inform decision making, there was a lack of transparency in how that conclusion was reached.

166. The council does not set out in advance what criteria have to be met for an ‘on target’ judgement to be made for each quarter, relying instead on updates from individual teams leading on the strategies and other supporting evidence (including ‘Next Steps’ from the previous report). If the ‘Next Steps’ actions were SMART it might be possible to analyse whether all the relevant ones within the time period had been met and that could feed into whether an action was on target.

Recommendation 3

The council needs to set out in advance what criteria have to be met for an ‘on target’ judgement to be made for each action in the Council Plan.

167. Of the 26 performance indicators in the Council Plan:

- 13 were on target
- 5 were slightly adrift of target
- 6 were significantly adrift of target

- 2 were assessed as data not known/available.

168. The following six indicators were significantly adrift of target:

- **CP_37 Average total tariff score of pupils living in SIMD 20% most deprived areas** - actual is 664.3 against a target of 714 for 2023 to 2024 (most recent data available). The endeavour to offer candidates a wider breadth of learning experiences has included more courses from a wider vocational range of courses and awards that sometimes are graded at the same SCQF level as National Qualifications courses but amass a smaller number of tariff points in the Insight scale.
- **CP_06 Average tariff score: All Leavers** - actual is 840.8 against a target of 908 for 2023 to 2024 (most recent data available). The council notes that for all SIMD deciles except SIMD 10 (for which they have a very low number of learners), they continue to outperform national figures.
- **CP_38 Average total tariff for care experienced Young People** - actual is 355 against a target of 465. The service continue to focus on improving this benchmark of achievement for care experienced learners.
- **CP_40 Number of new build housing units reaching completion (all tenures) (actual not cumulative)** - Actual is 371 against a target of 396. The council note that they have limited influence over the delivery of new build housing constructed by private housing developers to meet the total 396 homes target.
- **CP_30 Total installed capacity of low carbon heat and electricity generation across the council's estate** - Actual is 17,630 against a target of 28,499. The council had aimed to have both solar PV farms energised in December of 2024, however this has not been possible due to extended development time required by the Distribution Network Operator.
- **CP_31 % of total household waste that is recycled (calendar year as per SEPA) (LGBF)** - Actual is 52.8% against a target of 56%. This has reduced since 2023 as a result of the introduction of the new SEPA guidance regarding the requirement for Waste Upholstered Domestic Seating to only be sent for incineration, which has negatively affected the amount of bulky waste that can be recycled.

Of the 33 LGBF PIs directly linked to Council Plan 2023-2028 priorities, during 2023/24, seventeen priority PIs were within the top two quartiles.

169. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. 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.

170. The most recent [National Benchmarking Overview Report 2023/24](#) by the Improvement Service was published in June 2025. The results were considered by the Cabinet in September 2025 along with council specific commentary on where improvement activity is planned or already underway. The council has identified 33 key LGBF measures that relate directly to Council Plan priorities, 12 of which are included in the Performance Management Framework and reported six-monthly. The information reported to members records that:

- During 2023/24, 17 priority PIs were within the top two quartiles. These include proportion of the highest paid 5% of employees who are women, gender pay gap and percentage of invoices sampled that were paid within 30 days.
- Over the short term (comparison with previous year), performance has improved for 23 (69.7%) and declined for 10 (30.3%). Rank has improved for 18 (54.5%), declined for 11 (33.3%), and stayed the same for 4 (12.1%). Quartile has improved for 8 (24.2%), declined for 6 (18.2%), and stayed the same for 19 (57.6%).
- 30% of long term indicators (10 years or most recent data available) have improved, 33% have declined and 37% have stayed the same.

The council's performance, taken from national benchmarking data, shows an improving position year-on-year but overall performance relative to other councils has not improved.

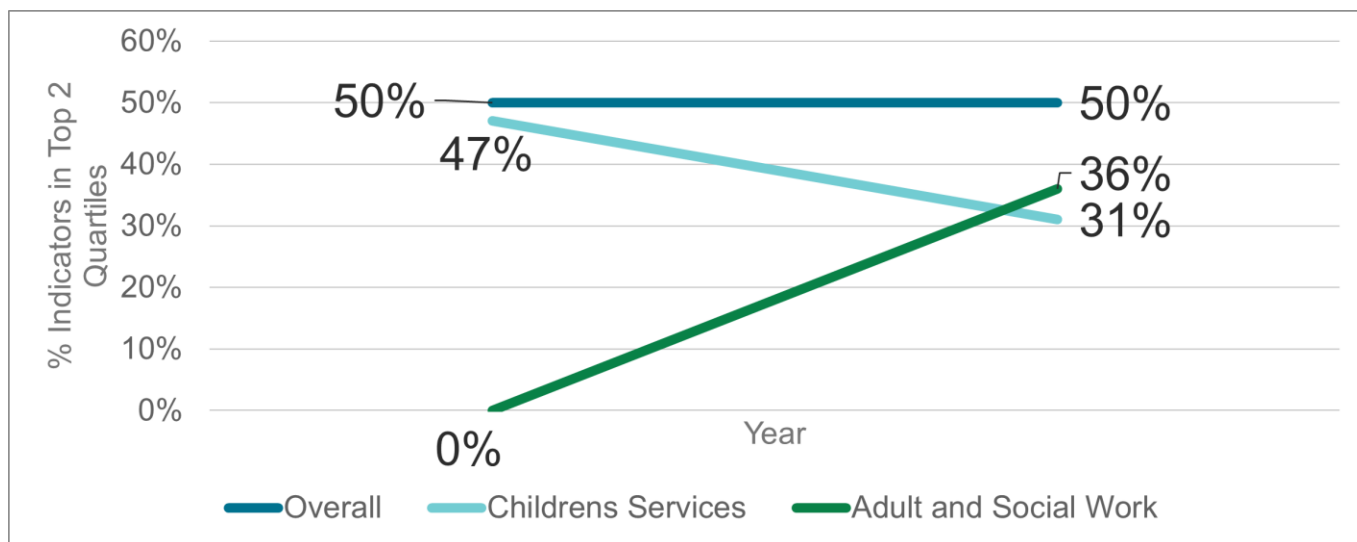
171. The 2023/24 LGBF data on the council, published by Improvement Service in June 2025, shows that, of the 107 indicators reported to date that are relevant to the council, 61 (57 per cent) of these have improved over time since the base year. Over the most recent year, 44 (42%) have improved.

172. . However, the number of indicators in the top two quartiles has remained at 50 per cent from the base year to 2023/24 ([exhibit 11](#)). These

results indicate an improving position year-on year but overall performance relative to other councils has remained constant.

Exhibit 11

Proportion of indicators in the top two quartiles from the base year to 2023/24



Source: [Improvement Service – LGBF 2023/24](#)

- Childrens Services:** Of the indicators in the area, the council is in the top two quartiles in 31 per cent of these, down from 47 per cent in the base year. The council continues to rank significantly above both the family average and the national average in cost per primary pupil and cost per secondary pupil. The council is also below both the family average and the national average in the % of P1, P4 and P7 pupils achieving expected CFE levels in both Literacy and Numeracy. North Ayrshire's school attendance rate of 89.1% in 2023/24 reflects a slight improvement from the previous year but still ranks among the lowest in Scotland (5th=lowest). Persistent absence remains a critical challenge for North Ayrshire, with 37.9% of pupils missing more than 10% of possible attendances in 2023/24, which is the highest rate in Scotland and is significantly higher than the Scotland-wide figure of 31.4%.
- Adult Social Work Services:** Since the base year, the council's top two quartile position relative to others has increased from 0 per cent to 36 per cent. However, the council continues to rank significantly below both the family average and the national average in the number of days people spend in hospital when they are ready to be discharged, and Self-Directed Support spend on adults as a % of total social work spend.

173. 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.

174. North Ayrshire Council will 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. Publication of the LGBF forms part of each council's statutory requirements for public performance reporting.

HMle reported positively on how the council supports schools to improve the quality of education

175. A local area network (LAN) of auditors and inspectors who cover the Council's activities met during the year to share intelligence, to ensure the scrutiny of the councils is targeted and proportionate in relation to identified risks and to avoid duplication of coverage. HMle is a member of the LAN.

176. In June 2024, His Majesty's Chief Inspector of Education (HMle) launched a national thematic inspection of Scotland's local authorities. This inspection focused on how effectively local authorities support school improvement with a focus on how they support schools to improve the quality of education. All 32 local authorities were inspected between September and October 2024. In September/ October 2024, a team of inspectors from Education Scotland visited North Ayrshire Council. Findings specific to North Ayrshire were generally very positive, including:

- The Quality Improvement Framework (QIF) provides clear guidance on self-evaluation, planning, and reporting, ensuring consistency;
- Strong leadership and collaboration foster trust, enabling honest discussions and tailored support for schools;
- A rigorous quality improvement cycle includes school visits, data analysis, and peer collaboration;
- The Professional Learning Academy (PLA) offers structured, in-school support, including "in residence" training;
- A strong culture of professional challenge and support ensures accountability while fostering positive relationships;

177. Local recommendations for future consideration were to:

- Further strengthen learner involvement in school evaluation and planning;

- Enhance cross-sector collaboration – expand peer evaluation, subject networks, and transition links between primary and secondary schools; and
- Enhance systematic evaluation of impact of professional learning to support long-term effectiveness.

178. Officers have confirmed that these local recommendations will be incorporated into the Education Service Improvement Plan from session 2025/26 onwards.

Appendix 1

Action plan 2024/25

2024/25 recommendations including Best Value (BV) Thematic

Issue/risk	Recommendation	Agreed management action/timing
<p>1. A number of significant amendments have been required to the Annual Accounts to ensure in particular that non-current asset figures are fairly stated.</p> <p>A large number of audit adjustments were required to the financial statements to correct misstatements identified from the audit. In particular, we identified misstatements of £82.374 million in the unaudited Annual Accounts which arose as a result of errors in the classification and valuation of Property, Plant and Equipment. This is outwith the norm following an audit and has added additional pressure for the audit team and council staff in concluding the audit.</p> <p>Risk: The deadline of 30 September for concluding the audit is not achieved.</p>	<p>The council should review its arrangements for preparing the Annual Accounts. This should include a review of capital accounting processes and procedures.</p> <p>(Exhibit 2)</p>	<p>Accepted</p> <p>Management response:</p> <p>A full review of capital accounting year end procedures will be carried out during 2025-26. This will include the procedures for reviewing information provided by the Council's valuation team and the use of external valuers.</p> <p>Responsible Officer:</p> <p>David Forbes, Senior Manager - Finance and Revenues</p> <p>Action by:</p> <p>31 March 2026</p>

<p>2. Impairment of non-current assets</p> <p>Accounting standards require the council to assess at the end of each financial year whether there are any indications an asset is impaired. Most assets are valued at least every five years and generally when valued, each asset is subject to a physical inspection. There are however some assets that are never revalued. The council's impairment review is largely limited to assets revalued and should be made more robust and comprehensive.</p> <p>Risk: There is a risk that asset values are overstated.</p>	<p>An impairment review should be conducted whenever there is an indication that an asset might be impaired such as physical damage, obsolescence or restructuring. The existence of an impairment indicator may also suggest that the remaining useful life needs to be adjusted even if no impairment loss is recognised.</p> <p>(Paragraph 23)</p>	<p>Accepted</p> <p>Management response:</p> <p>Under current procedures, an impairment review is carried out for all assets valued within the financial year. In addition, the valuation team undertakes an annual impairment review to determine if any assets not revalued in year are subject to material change.</p> <p>The Accounting Policies in relation to asset impairment will be reviewed and enhanced to provide clear reference to the impairment review process.</p> <p>Responsible Officer:</p> <p>David Forbes, Senior Manager - Finance and Revenues</p> <p>Emma Mulholland, Team Manager - Estates</p> <p>Action by:</p> <p>31 March 2026</p>
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<p>3. Progress on Council Plan actions.</p> <p>The council does not set out in advance what criteria have to be met for an ‘on target’ judgement to be made for each quarter, relying instead on updates from individual teams leading on the strategies and other supporting evidence (including ‘Next Steps’ from the previous report). If the ‘Next Steps’ actions were SMART it might be possible to analyse whether all the relevant ones within the time period had been met and that could feed into whether an action was on target.</p> <p>Risk: There is a lack of transparency in how progress is assessed for Council Plan actions.</p>	<p>The council needs to set out in advance what criteria have to be met for an ‘on target’ judgement to be made for each action in the Council Plan.</p> <p>(Paragraph 166)</p>	<p>Accepted</p> <p>Management response:</p> <p>The Performance Management Strategy is being revised and will be presented to the Audit and Scrutiny Committee on 20th November 2025. This public facing strategy will contain details of how to determine the status of Council Plan actions based on existing strategies and next steps. This approach will be supported by additional training for teams providing updates during 2026.</p> <p>The Council Plan Progress Reports will include SMART next steps. These next steps will be recorded within our performance management system to track their status transparently and inform the status of Council Plan actions.</p> <p>Responsible Officer:</p> <p>Isla Cruickshanks, Senior Manager – Policy, Performance & Democracy</p> <p>Action by:</p> <p>20 November 2025</p>
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<p>BV1. Transformation savings fall significantly short of the savings required</p> <p>The council's latest MTFO identifies a structural funding gap of £46.7m (including HSCP pressures) which must be addressed as part of the council's Medium-Term Financial Plan. Whilst we recognise that transformation alone will not offer the full solution to the financial gap identified in the MTFO, the level of financial efficiencies from the Sustainable Change Programme should be commensurate with the scale of the financial challenges.</p>	<p>The council should ensure its plans are sufficiently ambitious to respond to its financial challenges. It should clearly set out the extent to which savings from transformation will help address the budget shortfalls set out in its Medium-Term Financial Plan.</p>	<p>Accepted</p> <p>Management response:</p> <p>It is recognised that the level of financial efficiencies should be commensurate with the scale of the financial challenges. Further work will be progressed as part of the council's medium-term financial planning to set out clearly how the council plans to address budget gaps through further transformation and reform activity and through a broader package of measures, including areas of service review and possible reduction, opportunities for further revenue generation and an ongoing planned use of council reserves.</p> <p>Responsible officer:</p> <p>Head of Service (Financial Services)</p> <p>Actioned by:</p> <p>31 March 2029</p>
<p>BV2. Public reporting on progress with transformation</p> <p>The council does not currently report publicly on how it is progressing with delivering transformation as a whole in terms of planned and realised financial and non-financial benefits.</p>	<p>To provide assurance to elected members and the public about how the council plans to change to sustain services in the future the council should report publicly on how it is progressing with delivering transformation, as a whole, in terms of planned and realised financial and non-financial benefits.</p>	<p>Accepted</p> <p>Management response:</p> <p>The development of more public facing material will be produced to demonstrate the council's progress on the Sustainable Change Programme. This will include use of the council's new website to further promote activity and the progress being made to address the financial challenges.</p> <p>Responsible officer:</p> <p>Head of Service (Financial Services)</p> <p>Actioned by:</p> <p>30 September 2025</p>

2023/24 agreed management actions where action is still outstanding

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Asset register – fully depreciated assets</p> <p>The asset register included around 840 assets which were fully depreciated with an original cost and accumulated depreciation of £57.226 million. 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>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. The council should obtain evidence at least annually to confirm that assets on the asset register remain in use.</p>	<p>Ongoing</p> <p>A review of fully depreciated assets was carried out during 2024/25 and items with a value of £27 million were removed from the asset register where appropriate. A further review will take place in October 2025 in conjunction with services to update valuations and useful economic lives as required.</p> <p>We will monitor full implementation of this recommendation as part of our 2025/26 audit.</p>
<p>2. Sickness absence</p> <p>High absence rates were reported in areas which require cover arrangements, specifically teachers and waste collection. In 2023/24 this resulted in additional costs of £1.980m associated with mandatory cover for teacher absence. There was also a £0.653 million overspend in employee costs for Waste Services. The statutory nature of the service requires additional resources to cover unforeseen absences.</p>	<p>The effectiveness of existing measures to reduce absence levels should be assessed to ensure they are appropriate and can deliver improved attendance at work.</p>	<p>Ongoing</p> <p>During 2024/25, significant emphasis has been placed on strengthening data interrogation, improving recording and reporting, increasing monitoring and re-education of managers, and that this has been demonstrated through an improved council absence position improved at Q4 2024/25 compared to Q4 2023/24. See paragraphs 147 to 149.</p> <p>We will monitor full implementation of this recommendation as part of our 2025/26 audit.</p>

2023/24 agreed Best Value (BV) thematic actions where action is still outstanding

Issue/risk	Recommendation	2024/25 update
<p>BV1. Joint workforce arrangements</p> <p>There is scope for the council to explore further where it can work together with partners to share services and increase collaboration.</p> <p>Risk: There is a risk the council may not be utilising opportunities for shared services and collaboration opportunities across partner organisations.</p>	<p>The council should explore further where it can work together with partners to share services and increase collaboration.</p>	<p>Accepted</p> <p>Management response</p> <p>The Medium-Term Financial Planning process for 2025/26 to 2027/28 will include the exploration of further opportunities for sharing services and collaboration across partner organisations.</p> <p>Responsible officer</p> <p>Mark Boyd</p> <p>Actioned by</p> <p>31 March 2026</p>
<p>BV2. Measuring the impact of workforce planning</p> <p>There is scope for the council to draw upon the information it already collects to develop a performance dashboard to monitor and inform future workforce planning practice.</p> <p>Risk: There is a risk that the workforce planning information the council already collects is not being used to full effect.</p>	<p>The council should develop a performance dashboard to provide a user-friendly overview of the impact of its workforce planning. This could help to inform future workforce planning.</p>	<p>Accepted</p> <p>Management response</p> <p>A performance dashboard will be developed to monitor and inform future workforce planning.</p> <p>Responsible officer</p> <p>Fiona Walker</p> <p>Actioned by</p> <p>30 September 2025</p>

2022/23 agreed management actions where action is still outstanding

Issue/risk	Recommendation	2024/25 update
<p>Dormant trusts</p> <p>Six charitable Trusts have been dormant for 3 years or more. There is no clear plan on how to bring the Trusts back in to use. This indicates that the Trusts are not meeting the requirement of public benefit.</p> <p>Risk: The Trusts do not meet the requirement of public benefit.</p>	<p>The body should ensure all Trusts have adequate governance documentation enabling grants to be issued. The Trust should also be suitably advertised.</p>	<p>Ongoing</p> <p>North Ayrshire Council continues to promote the various funding sources, trusts and bequests available for distribution, ensuring that our staff teams, partners and communities are aware of the available financial supports. This is a long term piece of work and part of a strategic aim to ensure coordination of funding support across council services is clear and consistent.</p> <p>We will review this further as part of our 2025/26 audit.</p>

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

North Ayrshire Council

2024/25 Annual Audit Report



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