

East Ayrshire Council

2024/25 Annual Audit Report



Prepared for East Ayrshire Council and the Auditor General for Scotland
September 2025

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Key messages

2024/25 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 its two section 106 charities administered by the council.
- 2 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

Financial management

- 3 Financial management is effective. The council operated within its 2024/25 budget with £2.866 million of balances being added to reserve balances in line with the reserves and balances strategy. Total usable reserves have increased by £5.296 million to £117.031 million at 31 March 2025. Of this £59.687 million is earmarked for future service related spend.
- 4 In May 2024 a paper 'Building a future East Ayrshire capital investment programme review' provided cabinet with an update on the capital investment plan and outcomes of the capital programme review. A further update was presented to Council in February 2025 in co-ordination with the setting of the 2025/26 Revenue Budget.
- 5 The council have reviewed and revised the format and content of the East Ayrshire Performs reports to include financial information in a more visual format. This should ensure key financial challenges are easier to identify from the reports.

Financial sustainability

- 6 The latest update to the medium-term financial strategy was produced as part of the 2025/26 revenue budget exercise. Budget gap projections now show a cumulative gap funding gap of £27 million to 2027/28.

- 7 The council approved a balanced budget for 2025/26. This included increasing council tax by 8% and £8.5 million of approved service savings.
- 8 The council has earmarked funds for early intervention and prevention, to be used over ten years, with an aim to reshape future demands on council services.

Vision, leadership and governance

- 9 The council's priorities are well established through the Strategic Plan and service improvement plans.
- 10 Governance arrangements are appropriate and operated effectively.

Use of resources to improve outcomes

- 11 Performance reporting is balanced and regularly reported to elected members through a variety of formats. The council have developed new performance dashboards which improve the accessibility of public performance reporting information.
- 12 The council's overall service performance in relation to other councils has remained relatively stable over the past six years and has shown signs of improvement when compared to the prior year. Performance has improved since 2010/11. In 2023/24, 56% of Local Government Benchmark Framework (LGBF) indicators were in the top two quartiles.
- 13 Given the service demand and cost pressures it is unlikely that the council will be able to maintain performance across all the services they currently provide. Difficult choices need to be made about service and performance priorities.

Best Value

- 14 The council demonstrates a strong culture of continuous improvement. Transformation is embedded within service delivery, giving services direct responsibility for delivering change. The council's medium term financial strategy is the driver for transformational change.
- 15 The council has been innovative and demonstrated its commitment to transforming its services. In 2024 it set up a £40 million ten-year reserve to support a programme of change focusing on early intervention and prevention. The

Early Intervention and Prevention Fund aims to reshape future demand on council services.

- 16** The council continues to work towards actioning Best Value recommendations.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of East Ayrshire Council annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to East Ayrshire Council hereafter referred to as 'the council' and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Fiona Mitchell Knight, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Fiona Mitchell Knight as engagement lead and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Communication of fraud or suspected fraud

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

Acknowledgements

5. We would like to thank the body and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Scope of the audit

6. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, Whole of Government Accounts return, and summary financial statements.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The council's responsibilities

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.

- Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council and Governance and Scrutiny Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

1. Audit of 2024/25 annual accounts

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

Main judgements

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

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

Audit opinions on the annual accounts

12. The council and its group's annual accounts were approved by Governance and Scrutiny Committee on 25 September 2025 and certified by the appointed auditor on 25 September 2025. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual accounts were received in line with our agreed audit timetable on 27 June 2025. The unaudited Annual Accounts submitted for audit were of a good standard and were supported by underlying working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

14. In advance of the audit, we provided officers with a checklist requesting key working papers. Whilst most of the requested working papers were available timeously there was some delay in receiving working papers for non-current assets and IFRS16. Additionally, as a result of staff availability, delays were experienced in obtaining supporting documentation for non-current asset queries and samples. This impacted on the timing of some audit work.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £362,410. 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 revised materiality levels

16. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

17. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

18. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

Materiality values for the council and its group

Materiality level	Council	Group
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2025.	£14.095 million	£14.112 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 70% of overall materiality.	£9.867 million	£9.878 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.705 million	£0.706 million

Materiality level	Council	Group
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Source: Audit Scotland

Significant findings and key audit matters

19. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the council’s accounting practices.

20. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

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

Identified misstatements were adjusted in the Annual Accounts

22. We identified misstatements in the unaudited accounts of £63.569 million of which £16.190 million related to classification adjustments. Management have adjusted the Annual Accounts to correct the identified issues.

Exhibit 2

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

Issue	Resolution
1. Early intervention and prevention fund In February 2024, the Council approved the creation of the Early Intervention & Prevention fund, totalling £40m, comprised of £24m in respect of reduced employer pension contributions for 2024/25 to 2025/26 and £16m from its 2023/24 review of Service Concession Arrangements. This fund will be utilised over a 10-year period, supporting early intervention and prevention initiatives. As at 31 March	An adjustment has been processed in the annual accounts.

Issue	Resolution
<p>2025, amounts to date have been recognised as a provision with a balance of £27.8m. Audit's view is that a more appropriate accounting treatment is for this to be an earmarked balance in useable reserves as it does not fully meet the IAS37 requirements of a provision.</p>	
<p>2. Council house dwellings valuation</p> <p>In line with the approach to valuing other land and buildings, the council has implemented a rolling valuation programme for its council dwellings where 20% of housing assets are valued each year. The entirety of the council's housing stock was valued in the prior year, making this the first year of the programme's operation in relation to housing assets.</p> <p>Results of valuation showed a small movement in the value of council dwellings. However, on review of the valuation report, it was noted that valuation losses of £16.183m were identified across newly enhanced, acquired and constructed assets. The results of the valuation were not extrapolated to the remaining enhanced, acquired or constructed assets. On extrapolation an overstatement of £20.055m overstatement on the net book value of council dwellings was noted.</p>	<p>An adjustment has been processed in the annual accounts.</p>
<p>3. 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>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

Issue	Resolution
<p>The council's 2024/25 valuation showed a funded asset of £518.072 million (2023/24: asset of £390.11 million).</p> <p>As required by accounting standards, the amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.</p> <p>The asset shown in the council's Balance Sheet has been limited to £0 for 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 £34.708 million (2023/24: £39.941 million).</p>	
<p>4. Revaluation reserve entries</p> <p>Land and building components of assets are accounted for separately to reflect the differences in depreciation and useful lives. We identified that land and building components of assets have been accounted for together in the revaluation reserve. This has the effect of netting revaluation movements that potentially should have been shown separately as gains and losses recognised in the revaluation reserve and the net cost of services in the CIES.</p> <p>The Code requires a transfer to be made between the revaluation reserve and capital adjustment account which represents the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's historical cost. As land is not depreciated, no transfer should be carried out in respect of gains from the revaluation of land. The current treatment results in errors in the calculation of the</p>	<p>The council should review their accounting entries in the revaluation reserve and account for land and building elements of assets separately through the reserve.</p> <p>Recommendation 1</p>

Issue	Resolution
transfer value from the revaluation reserve to the capital adjustment account.	
Whilst we acknowledge that the guidance is ambiguous, we note that the council have interpreted the guidance differently to other local authorities. We would recommend that the council should review their accounting entries in the revaluation reserve and account for land and building elements of assets separately through the reserve.	

Source: Audit Scotland

Qualitative aspects of accounting practices

23. 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

24. 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

25. 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.

26. 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 4](#).

Disclosures in the financial statements

27. 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

28. The council 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 3](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
East Ayrshire Council	Audit Scotland Full scope audit of the council's annual accounts.	The outcome of audit work performed is reported within this Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .
Strathclyde Passenger for Transport	Audit Scotland Specific audit procedures on non-current assets and reserves.	The specific audit procedures required on the non-current assets and reserves were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified with the non-current assets or reserves audit procedures performed by the component auditor.

Group component	Auditor and audit work required	Summary of audit work performed
Strathclyde Concessionary Travel Scheme Joint Committee	Audit Scotland Analytical procedures at the 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 the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
East Ayrshire Leisure Trust	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
East Ayrshire Integrated Joint Board	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
East Ayrshire Common Good Fund	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

29. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

30. No matters related to the above requirements in ISA (UK) 600 were identified.

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

31. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 4](#) 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 4

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<p>Results:</p> <p>We assessed the design and implementation of controls over journal entry processing. We concluded our review satisfactorily.</p> <p>Journal adjustments were tested, and no indication of management override of controls were found.</p> <p>We made inquiries of individuals involved in the financial reporting process and concluded that there was no indication of inappropriate or unusual activity relating to the processing of journal entries.</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 assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions and</p>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. Focussed testing of accounting accruals and prepayments. 	<p>concluded these were appropriate.</p> <p>We concluded our cut-off sample testing with no issues identified.</p> <p>We concluded our accruals and prepayments testing with no issues identified.</p> <p>Conclusion: No instances of management override of controls were identified.</p>
<p>2. Valuation of property, plant and equipment</p> <p>East Ayrshire Council held £987.313 million of property, plant, and equipment (PPE) at 31 March 2024, of which £862.974 million was land and building assets.</p> <p>East 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>The audit team will:</p> <ul style="list-style-type: none"> Evaluate the design and implementation of controls over the valuation process. Review the information provided to the valuer and assess this for completeness and accuracy. Evaluate the competence, capabilities, and objectivity of the valuer. Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required. 	<p>Results:</p> <p>We assessed the the controls over the valuation of property, plant and equipment and concluded that the council had adequate processes and procedures in place.</p> <p>We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's capital accounting teams work, and the external valuer, confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management's assessment for land and buildings not revalued in 2024/25 are not materially misstated, to be reasonable, and found assumptions made to be appropriate. As noted in exhibit 3, our audit work identified a misstatement in the council dwelling valuation</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>due to movements in the valuation of new or enhanced assets not being fully reflected across the housing stock not revalued in year. The accounts have been adjusted to recognise this downward revaluation.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We recommended further detail was added to the accounting policy to clarify the measurement and valuation basis applied.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluation.</p>
<p>Accounting for IFRS 16</p> <p>From 1 April 2024, a new International Financial Reporting Standard, IFRS 16 Leases, 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 schools service concession arrangements (PPP and NPD projects). IFRS 16 is a complex accounting standard and will change the way in which the Council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls established by the council over the implementation of IFRS 16. • Assess whether service concession arrangements have been accounted for in accordance with the requirements of IFRS 16 • Test the IFRS 16 transitional accounting adjustments and confirm these are accurate and comply with the financial reporting framework. 	<p>Results:</p> <p>Our assessment of controls over the implementation of IFRS 16 concluded that the council had put adequate processes and procedures in place to ensure that lease information was captured and changes implemented effectively.</p> <p>We concluded that the service concessions have been accounted for in accordance with the requirements of IFRS 16.</p> <p>We concluded that the IFRS 16 transitional accounting adjustments for leases are accurate and comply with the financial reporting framework.</p>

Audit risk	Assurance procedure	Results and conclusions
leases previously classified as operating leases.		

Source: Audit Scotland

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

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

- East Ayrshire Council Charitable Trusts: charity number – SC025073
- Miss Annie Smith Mair Newmilns Trust: charity number – SC021095

33. 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.

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

35. Our duties as auditors of the charities administered by East Ayrshire Council are to:

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

36. In previous audit reports, we have noted that the East Ayrshire Charitable Trust had not disbursed any funds in recent years and therefore could be considered dormant. In June 2025, the Scottish Charity Regulator, OSCR, approved the trusts wind up. The funds remaining were transferred to the Local History Group.

37. The Independent Auditor's Report is included in the Trust's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement. We identified a couple of disclosure

misstatements as part of our audit work and management have made appropriate amendments to the audited accounts.

Progress was made on prior year recommendations

38. The council has made good progress in implementing the audit recommendations identified in the prior year with regards to non-current assets and financial reporting. Progress is recorded in [Appendix 1](#).

2. 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 operated within its 2024/25 budget with £2.866 million of balances being added to reserves in line with the reserves and balances strategy.

Total usable reserves have increased by £5.296 million to £117.031 million at 31 March 2025. Of this £59.687 million is earmarked for future service related spend.

In May 2024 a paper 'Building a future East Ayrshire capital investment programme review' provided cabinet with an update on the capital investment plan and outcomes of the capital programme review in line with the strategic plan and financial restraints. A further update was presented to Council in February 2025 in co-ordination with the setting of the 2025/26 Revenue Budget.

The council have reviewed and revised the format and content of the East Ayrshire Performs reports, to include financial information in a more visual format. This should ensure key financial challenges are easier to identify from the reports.

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

The council operated within its 2024/25 budget with £2.866 million of balances being added to reserves in line with the reserves and balances strategy

39. The annual budget process started in October 2023. Finance and service departments considered options to address the £7 million budget gap identified in the medium-term financial strategy.

40. Services were required to make savings on their overall budget, with the exception of any protected areas of the budget for example teacher numbers, pupil equity fund and funding for the 1140 early learning childcare. Where a service has a protected element of the budget, their savings are required from the discretionary areas of the budget.

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

42. The initial £7 million of saving requirements for 2024/25 was allocated across council services (£3.513 million), the East Ayrshire Leisure Trust (£0.181 million) and East Ayrshire Integration Joint Board (£3.306 million). The council's savings proposals for the £3.513 million could be categorised across a number of themes including workforce planning, income and commercialisation, property estates, digital and net zero.

43. Given the timing of the Finance Circular and the stage of the budget process, the council decided that a centralised approach would be taken to close the remaining £2.7 million gap. All expenditure reduction and income opportunities were to be reviewed to bring the 2024/25 balance into budget. Council approved the 2024/25 revenue budget of £409.230 million in February 2024.

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

45. In addition, services are required to carry forward sums earmarked against specific initiatives or liabilities. The Strategy requires Cabinet to review and approve balances on an annual basis following the conclusion of the audit of accounts. In the financial year, 2024/25, the council added £4.576 million to general services and utilised housing revenue account balances of £1.710 million.

Services experienced financial pressures during the year and actions taken to address this include the development of a council recovery plan

46. The wellbeing, education and communities and economy budgets remained under pressure during 2024/25. The East Ayrshire Performs reports presented to the Governance and Scrutiny Committee projected year end overspends from quarter one.

47. The most significant was within education, an anticipated overspend of £8.458 million was projected following quarter one. The Best Value Service Review of Early Learning and Childcare Provision was implemented following approval at Cabinet on 23 October 2024. The projected overspend reduced to £7.578 million in quarter two but significant financial pressure remained within teacher absence cover costs and additional support for learning transport.

48. In response the service developed and implemented a recovery plan. This planned to deliver savings of £4.020 million and was included within the Council's Recovery Plan. Council agreed to provide additional one-off support to the service of £2.289 million.

49. The Wellbeing service projected an overspend of £10 million at quarter one. An initial recovery plan was presented to the Integration Joint Board (IJB) on 28 August 2024 containing a series of options to reduce the anticipated overspend. The financial position improved in quarter two, however an overspend of £6.798 million was still projected. A further iteration of the recovery plan was presented to the IJB Board in December and included within the Council Recovery Plan presented to Cabinet in January. This included one-off additional funding from the Council to the IJB of £4 million.

50. Pressures continued throughout the remainder of the year and the service reported a year-end overspend of £1.869 million. The most significant financial pressures were within community care services, older services and learning disabilities, outwith placements and external residential placements.

Recommendation 2 – Strategic Plan Priorities

The council along with the Health and Social Care Partnership need to review the affordability of commissioning plans and agree spending priorities within the current financial resources available.

General Fund reserves have increased in year

51. One of the key measures of the financial health of a council is the level of reserves held. The council's usable reserves at 31 March 2025 are £117.031 million. These are split across the following reserves at 31 March 2025:

- General Fund balances of £67.979 million
- Housing Revenue account balances of £21.443 million
- Renewal and Repairs Reserve £2.664 million
- Capital Fund £24.958 million

52. As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Director of Finance and Digital) 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.

53. The council's general fund reserve includes an unearmarked balance of £8.280 million, representing 2.02% of the council's net expenditure. Management consider that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's Reserves and Balances Strategy, where a commitment was made to maintain a minimum level of uncommitted reserves of 2%.

54. The general fund reserve of £59.687 million includes earmarked balances for services. This includes balances of £27.716 million committed for the early intervention and prevention fund; £4.288 million in relation to the council's innovation fund and £1.666 million for affordable housing.

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

The council consulted with stakeholders on proposals for the 2024/25 rent increases. The Housing revenue account reported a small deficit of £1.710 million in 2024/25

56. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set at a level which will at least cover the costs of its social housing provision.

57. The council consulted housing tenants between 11 December 2023 and 19 January 2024 on rent increase proposals for 2024/2025. A consultation leaflet was issued to every Council tenant along with every Registered (and non-Registered) Tenant Organisation affiliated to East

Ayrshire Council with contact details provided to facilitate responses from a variety of sources including text message, email and smart surveys.

58. The rent increases proposed referenced the council's Housing Asset Management Framework, Housing Investment Programme 2024/2025-2028/2029 and the Strategic Housing Investment Plan 2024-2029 approved by Cabinet in November 2023. The consultation had the following two options:

- Proposal 1: A rent increase of 6.5%, which on average would be an increase of £5.18 per week over 52 weeks. This option will not allow delivery of the developments at Mason Avenue and Castle Street, New Cumnock, despite being previously approved by Cabinet in 2022.
- Proposal 2: A rent increase of 7.5%, which would be an average increase of £5.97 per week over 52 weeks. The additional rent income (£0.497m) from this option would be utilised to revise the previously approved developments at Mason Avenue and Castle Street, New Cumnock subject to all statutory planning processes which will include engagement with SEPA.

59. A total of 11,582 tenants were contacted at the start of the consultation. The Council received a total of 1,090 responses, which included responses gathered by Housing and Communities staff, East Ayrshire Federation of Tenants and Residents, email, text message, postal and online survey returns. This was a significant increase in responses in comparison to the prior year where 431 responses were received.

60. The majority of respondents selected the first option, for rent to increase by 6.5%. Council approved this increase on 22 February 2024.

61. Within the annual accounts, the council recorded a deficit on HRA services of £15.585 million, however following adjustments of £13.875 million through the movement in reserves statement to reflect accounting and funding basis as required by statute, a small movement of £1.710 million was recorded and reduced the cumulative balance on the HRA at 31 March 2025 to £21.443 million. This is earmarked for commitments in future years. With £11.540 million identified for initiatives through the Housing Asset Management Framework, Housing Investment Programme and the Strategic Housing Investment Plan.

The council have reviewed the format and content of the East Ayrshire Performs reports. Changes have been made to enhance the readers understanding of key financial issues and challenges facing the council

62. 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.

63. Financial updates are reported quarterly to Cabinet through the East Ayrshire Performs report. This has been a long-established process and

provides updates at a service level on spend, projected service financial outturn, the reasons for the variances and financial challenges and pressures facing the council for the rest of the year.

64. In response to a prior year audit recommendation the council established a working group to review East Ayrshire Performs and ensure it is more focussed to meet current needs.

65. Officers used the council's strategic planning framework as the basis for the review. In future East Ayrshire Performs will focus on the projected financial position for the year, progress of the capital programme, workforce and digital strategies.

66. The first East Ayrshire Performs report under its new format was presented to Cabinet on 3 September 2025. Officers have adopted an interactive reporting format and have utilised graphics and Power BI tools to enhance the content of the reports and to visually show areas of pressure and challenge. Whilst the reports may be further re-fined over time, the new format and approach will re-direct focus to the key issues that may impact the council's ability to deliver against its strategic priorities.

Capital expenditure was consistent with the prior year but slippage was noted against the revised capital budget

67. Capital expenditure in 2024/25 totalled £59.182 million (£60.011 million in 2023/24). General services capital expenditure accounted for £25.345 million of this total with the remaining £33.837 million relating to investment in the housing revenue account. Per the East Ayrshire Performs June 2025 revised total capital expenditure for 2024/25 was £77.219 million.

68. In May 2024 a paper 'Building a future East Ayrshire capital investment programme review' was presented to Cabinet. This report provided cabinet with an update on the capital investment plan and outcomes of the capital programme review in line with the strategic plan and the current financial climate. In addition, the paper considered the cost of borrowing and the investment cap that Council previously agreed in February 2023.

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

General services programme 2024/25

70. The general services capital expenditure budget for 2024/25 was £41.866 million against expenditure of £25.345 million. This represented only 60% of the revised budget.

71. Significant areas of capital expenditure include:

- St Sophia's Primary School £3.838 million
- Ayrshire Roads Alliance East projects £7.996 million
- Vehicle purchases £3.291 million

72. From review of the capital section within the East Ayrshire Performs reports, slippage occurred across numerous projects for a variety of reasons including additional works being required that had not been anticipated, due diligence requirements around heritage developments and delays for legal or build requirements.

73. The refreshed East Ayrshire Performs reports will make it easier to identify projects where the capital plan will not be delivered in line with planned timescales or budgets as these will be highlighted visually through the report.

Housing services capital programme 2024/25

74. The housing services capital expenditure budget for 2024/25 was £35.353 million. Expenditure incurred in year was £33.837 million. This represented 96% of the budget and included building, improving and purchasing assets in 2024/25.

Borrowing levels increased during 2024/25 due to an increase in long term borrowing

75. In the Accounts Commission's January 2025 Local government in Scotland: Financial Bulletin 2023/24, it was highlighted again that councils continue to borrow more to fund capital programmes, increasing the pressures on revenue budgets over the longer term.

76. To finance the capital plans, the council relies on external borrowing. Over half of capital funding comes from external borrowing. The council's medium-term financial plan and treasury management and investment strategy provide a guide to the borrowing needs of the council.

77. During 2024/25 the council's long-term borrowing totalled £441.418 million, an increase of £46.981 million on the prior year end position. Over the same period short term borrowing decreased by £17.032 million to £60.836 million.

78. During 2024/25 the council borrowed £95 million from the Public Works Loans Board (PWLb) on a long-term loan basis. The council remained within its authorised capital financing requirement (CFR) of £730.053 million, with the actual CFR being £672.774 million.

79. The council continues to manage its borrowing through its treasury management strategy that is subject to regular review by Council. The capital programme is reviewed annually to ensure that it remains within the affordability cap set by the council. The strategy and scrutiny of this, along

with the affordability cap ensures the debt charges remain prudent and affordable.

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

80. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we have not identified any issues that represent a risk of material misstatement. However, our review and testing of controls along with financial statements audit procedures identified two areas where controls could be strengthened:

- As part of our testing of a sample of journals we identified a small number of journals that had been authorised by members of staff not on the journal authorisation list. Further review of journal listings confirmed these were isolated instances. We had discussions with finance officers and were provided with details of roles that require certain authorisation limits and a departmental authorisation list which included one of the officers. We noted that forms to set up authorisation of employees was not always fully completed. This is the second year there have been issues with the authorisation list not being up to date and accurate. We would recommend that procedures are reviewed to ensure the authorisation list is updated regularly and accurately.
- The monthly reconciliations for council tax and non-domestic rates were not completed between months four and nine of the financial year 2024/25. The reconciliations were completed from month ten onwards but there was no evidence of review. There were similar issues with the completion of these reconciliations in the prior year. We have been advised that the completion of these reconciliations will now be undertaken by the central finance team and that review will be evidenced.

81. We also noted that the council use the PECOS purchase to pay application. This application is available to all Scottish public sector bodies under the Scottish Government (SG) eCommerce shared service license agreement.

82. In November 2024, the hosting arrangements of the PECOS application changed from being held at the Scottish Government's Saughton House data centre to being held and managed externally from the Scottish Government by third-party provider, Elcom. While the Scottish Government own the contractual arrangement with Elcom, it is for individual bodies to ensure themselves that there are appropriate application and hosting controls in place at Elcom.

83. The council has not received any assurances around the operation of these controls at the third-party provider. The council are satisfied that there have been no issues around service performance or availability of

information to support the preparation of the financial statements and there is no adverse impact on the council's system of internal control or governance arrangements in respect of the use of the PECOS application.

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

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

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

86. The Chief Internal Auditor presented internal audit's annual report to the Governance and Scrutiny Committee on 24 April 2025. The report concluded that overall reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2025.

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

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

88. The council has a range of established procedures for preventing and detecting fraud and irregularity including anti-fraud and bribery policies and codes of conduct for members and officers. A report was presented in June 2025 to the Governance and Scrutiny Committee to outline the arrangements in place to conform with the CIPFA Code of Practice on Managing the Risk for Fraud and Corruption.

3. 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 latest update to the medium-term financial strategy was produced as part of the 2025/26 revenue budget and shows a budgeted cumulative funding gap of £27 million to 2027/28.

The council approved a balanced budget for 2025/26. This included increasing council tax by 8% for 2025/26. Savings of £8.5 million have been approved across services.

The council has earmarked funds for early intervention and prevention, to be used over ten years, with an aim to reshape future demands on council services.

The latest update to the medium-term financial strategy as part of the Strategic Framework shows a cumulative budget gap of £27 million to 2027/28

89. The medium-term financial strategy 2022-27 was approved in October 2022. This highlighted a projected budget gap of £39 million across the period of the strategy. Each year, the council have revised budget gap projections and taken account of changes to funding levels and any new cost pressures. A review of the strategy in 2023/24 projected a budget gap for 2025/26 of £17 million.

90. The council started work on developing the 2025/26 budget in late summer 2024. Consideration was given to ongoing inflationary and cost pressures, increasing demand levels, volatility in the wider economy and anticipated reductions in future grant funding levels. Services and budget holders considered the 2024/25 projected outturn position, following a review of the financial position through the East Ayrshire Performs report presented to Cabinet in September 2024. The report projected that if demand, cost pressures and spending plans continued, the council would

overspend by £20 million in 2024/25. Education and social care were the service areas facing the greatest pressure. Cabinet introduced measures to control expenditure and reduce spend.

91. The council received the Local Government Settlement in December 2024. Officers considered the impact of funding levels that the council will receive from Scottish Government alongside other wider economic considerations. The council presented revised budget gap projections for 2025/26 and for the medium term to 2027/28.

92. The medium-term financial strategy budget update report was presented to Cabinet on 4 December 2024. The paper included details of a revised budget gap for 2025/26 of £8.750 million following work to identify areas to reduce costs or maximise income. The revised budget gap was allocated to services in October 2024. The allocation is based on established methodologies and takes into account protected elements of service delivery which are protected from budget cuts.

The council approved a balance budget for 2025/26. This included increasing council tax by 8%

93. All local authorities are navigating significant financial pressures which are projected to increase in future years. In the January 2025 [Local Government in Scotland Financial Bulletin 2023/24](#), the Accounts Commission stated “*Despite an increase in overall revenue and capital funding for councils in 2024/25, and the Scottish Government’s budget proposals in December 2024 indicating a further real terms uplift in funding for 2025/26, the financial outlook for Scotland’s councils remains challenging.*” 2025/26 is the first time in several years local authorities have received a real terms uplift, receiving a real terms uplift of 5.8% in comparison to the 2024/25 draft settlement.

94. The council approved a balanced budget for 2025/26 of £438.946 million in February 2025. In addition, the council committed £117.533 million to the East Ayrshire Health and Social Care Partnership (HSCP). This balanced budget followed a final grant settlement from the Scottish Government of £329.495 million.

95. As part of the budget balancing measures, East Ayrshire Council increased council tax by 8% in 2025/26. This is expected to generate £6.388 million of additional revenue. This is a lower increase than the Scottish average, but commensurate with the other Ayrshire councils.

96. The council has increased charges for council services by 3%. Services have identified savings of £8.5 million that will contribute towards the achievement of financial balance.

97. Within the setting the 2025/26 revenue budget paper presented to Cabinet on 27 February 2025 the budget gap projections for the period 2025/26 to 2027/28 have been updated and show a cumulative gap of £27 million as displayed in [Exhibit 5](#).

Exhibit 5

Updated MTFS projections – cumulative budget gap 2025/26 - 2027/28

	2025/26 £'million	2026/27 £'million	2027/28 £'million
Expenditure	437.0	451.0	464.0
Income	-439.0	-438.0	-437.0
Gap	(2)	(13)	(27)

Source: East Ayrshire Council – Setting the 2025/26 Revenue Budget
February 2025

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

Good practice: The council has earmarked funds for early intervention and prevention, to be used over ten years, with an aim to reshape future demands on council services

99. As reported in our prior year annual audit report, two significant financial events occurred in 2023/24. Firstly, the council exercised financial flexibilities in relation to service concession arrangements which created a non-cash reserve of £16.717 million which can be utilised through treasury management arrangements. The second event was Strathclyde Pension Fund introducing a temporary reduction in employer pension contributions to over a two-year period.

100. The council have made the decision not to use these savings to support delivery of day-to-day activities. Instead, the funds are to be utilised over a ten-year period to support early intervention and prevention activities aimed at supporting communities and providing enhanced opportunities for jobs and skills with the aim of reshaping the future demand on council services. At 31 March 2025 the fund totals £27.716 million. This will increase to around £40 million if no funds are disbursed over this period.

4. Vision, leadership and governance

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

Conclusion

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

Governance arrangements are appropriate and operated effectively.

The strategic plan provides clear direction on the council's priorities. Work has been undertaken to ensure performance targets within the strategic plan action plan are more specific

101. The Strategic Plan 2022 – 2027 outlines the vision, strategy and priorities adopted by the council. The strategic plan includes six strategic themes. Each theme details clear priority areas that will contribute to the achievement of the council's overall aims and visions. The council continue to work closely and openly with their partners and the community in achieving this.

102. An update to the Council's Strategic Framework was presented to Council on 31 October 2024. The report acknowledged the previous Best Value audit recommendation for targets within the Strategic Plan performance framework to be more specific. In response the council has collated data across a six-year period, together with data from their Local Government Benchmarking Framework Family Group and Scotland-wide figures. These have been used to support the setting of targets as part of the review of performance targets.

103. The Service Improvement Plans were refreshed in September 2024 for the three-year period to 2027. For the current service improvement plan there has been a change in the timing of updates to Cabinet committee. Previously an annual update was presented which provided an

opportunity to review progress to date and to outline the next steps and actions for continuous improvement. Following review of the approach, it was decided to refresh the approach and move to a mid-cycle review.

Governance arrangements are appropriate and operated effectively

104. 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.

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

106. The Council's governance arrangements are set out in the annual governance statement in the annual accounts. The Governance and Scrutiny Committee carry out an annual review of the Code of Corporate Governance and completing an annual self-assessment, with improvement actions set out in an Action Plan to take forward in 2025/26.

Disaster recovery and business continuity arrangements are regularly reviewed

107. The council have arrangements in place to regularly review business continuity and disaster recovery plans. These reviews are overseen by a dedicated Disaster Recovery and Business Continuity Officer.

108. Last year we reported it would be good practice to put in place measures to test the effectiveness of these plans following their approval. The council have confirmed that while they have not formally put in place plans within the review process to test these plans, elements of the disaster recovery and business continuity plans have been tested recently.

109. Furthermore, Cabinet approved the procurement of a Cyber Incident Response (CIR) service at their meeting in May 2025. This service would provide extra support in the event of an incident.

5. 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

Performance reporting is balanced and regularly reported to elected members through a variety of formats. The Council have refreshed their Performance Management Framework document.

The council have developed new performance dashboards. These improve the accessibility of public performance reporting information on the council's website.

The council's overall service performance in relation to other councils has remained relatively stable over the past six years and has shown signs of improvement when compared to the prior year. Performance has improved since 2010/11. 56% of Local Government Benchmark Framework (LGBF) indicators were in the top two quartiles in 2023/24.

Given the service demand and cost pressures it is unlikely that the council will be able to maintain performance across all the services they currently provide in the medium to longer term. Difficult choices need to be made about service and performance priorities.

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

110. The [Best Value: Revised Statutory Guidance 2020](#) sets out that performance management arrangements should be in place to promote

the effective use of the local authority's resource, which includes effective performance reporting.

111. Arrangements for reporting performance to committees is well established. Elected members and officers demonstrate a good understanding of the performance management reporting arrangements and this provides a basis for improvement. The council report performance through a number of different reports:

- **East Ayrshire Performs** –quarterly performance reports are presented to Cabinet and the Governance and Scrutiny Committee. The reports outline the latest revenue and capital financial position of the council. Performance against selected indicators is included within the report. This includes areas of strong or under-performance.
- **Performance indicators** – The council provides a link to a list of 55 indicators endorsed by the Governance and Scrutiny Committee. The latest information available is for 2023/24. The Joint meeting of the Council and the Community Planning Partnership Board on 12 September 2024 received details of the 2023/24 Statutory Performance Indicators. Performance and comparative information from the previous two years, as available. The Governance and Scrutiny Committee in April 2025 were updated on progress in relation the Council's 2023/24 Statutory Performance Indicators and the Local Government Benchmarking Framework. This included details of any information that had previously been unavailable.
- **Local Government Benchmarking Framework** – The Governance and Scrutiny Committee in April 2025 were presented with a report which analysed the council's performance and compares performance to the previous year. The report highlights areas of good performance, where indicators are classified as being within the top quartile when compared with other Scottish councils. The report also has a focus on those performance indicators where performance was reported as being in quartile 4 for 2023/24. Improvement actions are clearly set out for each of these indicators.

112. In October 2024 the council reported progress against its Strategic Framework. In response to a prior year audit recommendation that performance measures need to be more specific, the council have collated data across a six-year period. The data has been sourced from the council's Local Government Benchmarking Framework Family Group and Scotland-wide figures. This information has provided the council with a basis to support the setting of targets as part of the review of performance targets.

The council have developed new performance dashboards. These improve the accessibility of public performance reporting information on the council's website

113. The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the body to report its:

- performance in improving services and progress against agreed desired outcomes, and
- a self-assessment and audit, scrutiny, and inspection body assessment of how it has responded to these assessments.

114. We previously reported that the council should review the content of its performance website to ensure it meets the requirements of the new SPI direction. In response the council has refreshed their Performance Management Framework. The framework has then been used to structure the performance pages on the council website.

115. Development work has taken place in relation to new Power Bi dashboards. This has changed the way key data and performance information is presented to communities and stakeholders on both the council and Community Planning partnership websites.

116. The council have undertaken significant work to improve the quality and accessibility of performance information on their website. Further enhancements could be made to include Best Value and other inspectorate reports on the performance pages of the council website.

117. Given the nature of performance reporting, compliance with the direction is an iterative process. However, in our view, the council complies with the requirements of the Statutory Performance Information Direction.

The council's performance from national benchmarking data has remained relatively stable over the past five years and is performing within the upper range for the period under review

118. The Local Government Benchmarking Framework (LGBF) 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.

119. The Improvement Service published the most recent National Benchmarking Overview Report 2023/24. The Improvement Service noted within its key messages that whilst long term performance in local government has improved, there has been a slowing in the pace of improvement in recent years due to the challenges impacting the sector.

120. Using this information, the council compiled and presented an annual performance report and presented it to the April meeting of the Governance and Scrutiny Committee in 2025. This outlined the council's performance in 2023/24 against the statutory performance indicators and the local government benchmarking framework.

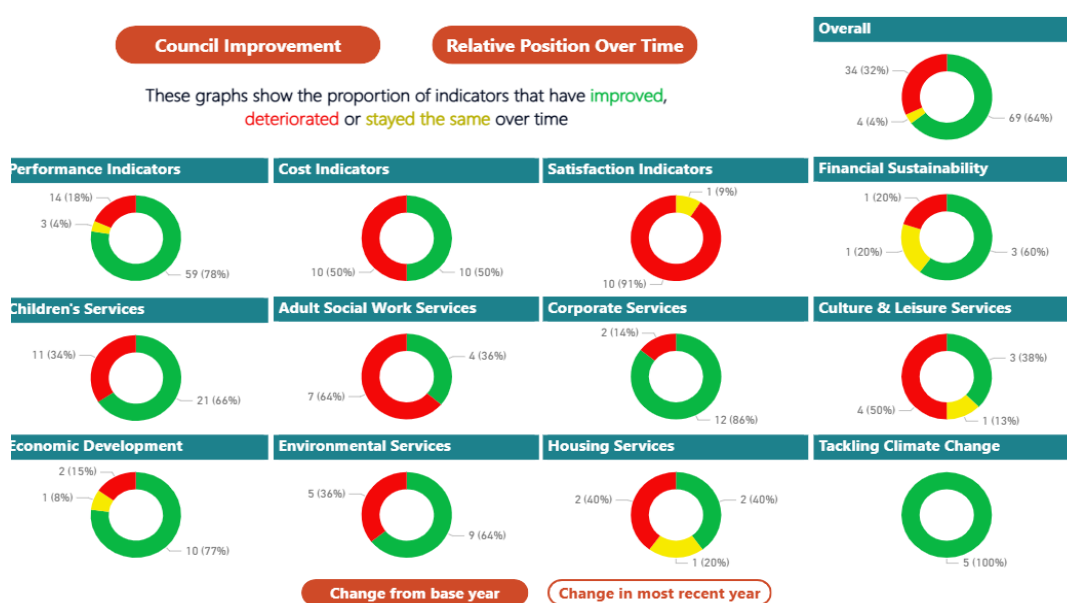
121. As highlighted within the report, when the council's performance was compared with other councils, where data was available, 56% were in the top two quartiles (2022/23: 52.4%). Whilst performance has remained relatively stable over the last six years ranging from 49.4% to 56.3%, the

performance recorded in 2023/24 at 56% is at the upper end of this range. Over a longer time this has improved from 43.5% in 2010/11.

122. When comparing the council's own performance over time, the council reported improving or maintaining performance in 59.3% of LGBF indicators between 2022/23 and 2023/24 (53.7% when comparing 2021/22 and 2022/23). When comparing performance between 2010/11 and 2023/24 the council has improved or maintained performance in 69.2% of performance indicators.

Exhibit 7

East Ayrshire Council LGBF Results – trend since base year



Source: Improvement Service: LGBF 2023/24

123. At the time of reporting performance to the Governance and Scrutiny Committee, performance for 91 of the 108 LGBF indicators was available. Of the available indicators, twenty were within the two top quartiles, with eleven ranked within the top five performing councils in Scotland including:

- Proportion of Scottish Welfare Funding Crisis Grant Decisions within 1 day
- Residential costs per week per resident for people aged 65 and over
- Cost per attendance at sports facilities
- Cost of museums per visit

- Percentage of people aged 65 and over with long term care needs receiving personal care at home
- Percentage of adults supported at home who agree that they are supported to live as independently as possible

124. The council have demonstrated a commitment to review areas where performance ranked as low when compared to other councils. Within the annual performance report presented to the Governance and Scrutiny Committee in April, a summary has been completed with the appendices for each of the sixteen indicators noted as performing within the bottom quartile. For each of these indicators trend analysis from the past three years has been included and planned improvement actions are outlined. Improvement actions outline next steps required.

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

126. East Ayrshire Council should continue to use the LGBF data alongside its own performance management framework and its engagements 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.

6. Best Value

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

Conclusions

The council demonstrates a strong culture of continuous improvement.

Transformation is embedded within service delivery, giving services direct responsibility for delivering change. The council's medium term financial strategy is the driver for transformational change.

The council has been innovative and demonstrated its commitment to transforming its services. In 2024 it set up a £40 million ten-year reserve to support a programme of change focusing on early intervention and prevention. The Early Intervention and Prevention Fund aims to reshape future demand on council services.

The council continues to work towards actioning Best Value recommendations and work is ongoing towards full implementing these.

Best Value work undertaken in 2024/25

127. 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](#).

128. 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, including with the findings made in the November 2023 [Controller of Audit](#) report on the council.
- Council service performance improvement (covered in section five of this report)
- Effectiveness of council performance reporting (covered in section five of this report)

129. 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 two to five of this Annual Audit Report.

Transformation – How councils are redesigning and delivering more efficient services to achieve planned outcomes

130. The results of our thematic review on service transformation are outlined in a separate Management Report which is available on the Audit Scotland website and was reported to elected members at the Governance and Scrutiny Committee in April 2025.

131. The key findings in this report are:

- 1** Transformation is about radically changing how councils operate and deliver services to achieve planned outcomes in a financially sustainable way. The council has been innovative and demonstrated its commitment to transforming its services. In 2024 it set up a £40 million ten-year reserve to support a programme of change focusing on early intervention and prevention. The Early Intervention and Prevention Fund aims to reshape future demand on council services.
- 2** In 2023 we reported on the council's long-established culture of self-assessment and improvement, maintaining its focus on continuous improvement reported in previous Best Value reports. We noted the council's robust arrangements in place to secure Best Value and its clear understanding of areas where it could improve further.
- 3** We reported that the council has demonstrated a commitment to manage resources effectively over the medium term to support service delivery. After delivering two five-year transformation strategies over the period 2012-2022, in 2022 the council moved to embedding transformation in the delivery of its services, giving services direct responsibility for delivering change.
- 4** With the council moving to a position where transformation was embedded within service delivery. The council decided it no longer required a standalone plan setting out how it intends to transform its services. The council's commitment to transformation is set out in its Strategic Plan 2022-27. It does not articulate what its plans are for transformation. Instead, it sets out information about ongoing activity

designed to support transformational change across its supporting plans.

- 5 In December 2024 the council reported a budget gap of £8.75 million for 2025/26. Services were assigned savings targets to close this indicative budget gap. The latest update to East Ayrshire Council's Medium-Term Financial Strategy (MTFS) shows a cumulative budget gap of £32 million to 2026/27. As transformational activities are embedded in services it is not clear from monitoring reports how much they will separately contribute to achieving these savings. Instead, the results of transformational activity are included in the efficiency savings targets reported to elected members in East Ayrshire Performs reports, with the driver for transformational change being the council's medium term financial strategy.
- 6 A permanent team overseeing change and project management across the council has been in place since 2022. The council's Programme Management Office provides project management support to transformational activity. While the PMO reports extensively on the council's progress against its strategic priorities it does not currently compile an overview of progress specifically on transformational activities. The council is working to develop a new reporting framework which is intended to include an overview of this information.
- 7 There is scope for the council to improve how it reports progress on transformational activities to CMT and elected members. The council has informed the audit team that it is developing a new framework of consolidated reporting on transformational activities for CMT and elected members.
- 8 In 2022 the council put in place improved arrangements to better identify and capture the impact, including savings, improvements to service delivery and outcomes, of its transformational activities. This benefits realisation approach has been slow to develop. To date the audit team has seen limited evidence of it in practice. The council's proposed reporting framework is to include information on realised benefits where appropriate. To demonstrate to elected members and its communities how it plans to improve services for the future, planned and realised benefits of its transformational activities should be reported.
- 9 The council has a proven track record of working effectively with its partners and communities and has provided the audit team with sound examples of developing and delivering transformational activity alongside them.
- 10 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.

11 There is limited evidence that timely equality impact assessments have informed the council's plans for transformation. We have not seen a full equality impact assessment for any of the five cross-cutting reviews or one that relates directly to the two case studies. The reason for not carrying out a full equality impact assessment is not always clear as 'Assessing for relevance' forms are not always available. A recommendation from the 2024 Best Value report on Leadership and Strategic Direction was intended to ensure that equality impact assessments are completed at an early stage to inform policy and strategy development.

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

The council has made progress towards addressing Best Value thematic review recommendations and work is ongoing towards full implementing these.

133. Best Value findings and recommendations have been made in previous years' Annual Audit Reports and Management Reports on themes prescribed by the Accounts Commission. The council demonstrates a strong culture of continuous improvement.

134. The 2022/23 Best Value thematic review focussed on the council's leadership of the development of new local strategic priorities was undertaken. The 2023/24 review focussed on workforce innovation within the council. Both reports were reported to elected members at the Governance and Scrutiny Committee. The council is making progress against most of the actions recommended from these reviews, however further work is required to progress these to full implementation.

135. Details of outstanding previous recommendations and progress the council is making against these can be seen in Appendix 1.

136. At the time of concluding the 2023/24 audit, three improvement recommendations were outstanding relating to the 2022/23 Best Value thematic review on Leadership in the development of the council's strategic priorities. Two actions have now been implemented relating to the introduction of more specific and measurable performance targets and the improvement of performance information. One action is still in progress as the council is continuing to improve its Equality Impact Assessment arrangements. To ensure that it is clear when full equality impact assessment are required and published on the council website. We have updated the recommendation as outlined at Appendix 1.

137. Improvement actions were agreed in response to six recommendations in the 2023/24 Best Value thematic review on workforce Innovation. We have reviewed the progress with these actions and concluded that whilst work has been undertaken towards addressing five

of these recommendations, further work is required to implement the actions fully. Progress is recorded in [Appendix 1](#).

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Revaluation Reserve accounting entries</p> <p>Land and building components of assets are accounted for separately to reflect the differences in depreciation and useful lives. We identified that land and building components of assets have been accounted for together in the revaluation reserve. This has the effect of:</p> <ul style="list-style-type: none"> • netting revaluation movements that potentially should have been shown separately as gains and losses recognised in the revaluation reserve and the net cost of services in the CIES. • Miscalculating the value of transfers from the revaluation reserve to the capital adjustment account required for gains on building asset components only. 	<p>The council should review their accounting entries in the revaluation reserve and account for land and building elements of assets separately through the reserve.</p> <p>Exhibit 2, point 4</p>	<p>Management response: The Council will review the accounting entries in the Revaluation Reserve during 2025/26, and give consideration to any improvement that should be made ahead of the 2025/26 Annual Accounts production.</p> <p>Responsible Officer: Asst Director of Finance</p> <p>Date: 31 March 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>2. Social Care budget pressures</p> <p>Social care services continue to face significant financial challenges. Financial recovery plans were established in 2024/25. Whilst savings were achieved, demand has continued to increase. Savings achieved were not all recurrent.</p> <p>There is a risk that the services the council are commissioning from the IJB are not affordable within the service budget.</p>	<p>The council along with the Health and Social Care Partnership need to review the affordability of commissioning plans and to seek agreement on spending priorities within the current financial resources available.</p>	<p>Management response: The Chief Officer and Section 95 Officer of the IJB are progressing the Direction that the Council requested in February 2025. This Direction will set out the commissioning plan for commissioned services to be provided by the HSCP.</p> <p>Responsible officer: Director of Health & Social Care</p> <p>Date: 31 March 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Intangibles Assets</p> <p>Our audit testing identified instances where software licences were incorrectly capitalised as Property, Plant & Equipment or had been expensed through revenue.</p> <p>These should have been capitalised as intangibles and amortised accordingly.</p> <p>Risk – there is a risk that intangibles are understated and expenditure is overstated with capital related transactions.</p>	<p>Management should conduct a detailed review of all software licences to ensure all intangible assets which should be capitalised are included with Non-Current Assets and amortised over their useful economic life.</p> <p>Management response</p> <p>A full review will be undertaken and procedures enhanced for the recording and accounting of software licences.</p> <p>Responsible officer Deputy Head of Finance</p> <p>Actioned by 31 March 2025</p>	<p>Action Implemented</p> <p>No issues identified with accounting for intangible assets in 2024/25</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2. Issues with identifying Assets Under Construction</p> <p>Assets were incorrectly included within operational Other Land & Buildings which were under construction at 31 March 2024 and were not operational. One asset was also revalued as operational which was still under construction.</p> <p>Risk – There is a risk that assets are revalued and depreciated when they are not operational resulting in inaccurate net book values.</p>	<p>Management should ensure that the facilities and property management service have the necessary arrangements in place for communicating information around capital projects and the resultant impact on estates. This should ensure that finance teams have up to date information on assets under construction. Arrangements should be put in place to identify the point at which assets are no longer operational.</p> <p>The process for communicating with the valuer on assets under construction should be reviewed to avoid instances of valuing assets that are not operational.</p> <p>Management response</p> <p>Procedures for the update and classification of system records will be reviewed to ensure that a timely record is kept of the continuing operational status of properties.</p> <p>Responsible officer</p> <p>Head of Facilities and Property Management</p> <p>Actioned by</p> <p>31 March 2025</p>	<p>Action implemented</p> <p>Monthly meetings between the facilities and property management service and finance take place to discuss updates to the capital programme.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>3. Review of arrangements for maintaining non-current assets</p> <p>Audit work on non-current assets identified a number of improvements that could be made to enhance the underlying non-current asset records. This included consistency in approach in the classification of land and building on the asset register; maintaining sufficiently detailed records of assets capitalised as a group and ensuring regular information sharing between finance and estates on any changes to the asset base of the council.</p>	<p>Management should review the arrangements in place for ensuring the underlying asset records are accurate and detailed. Finance officers should work with the estates team to put in place effective arrangements for the notification of any changes to existing assets as well as the acquisition, construction or disposal of any assets currently owned by the council.</p> <p>Management response</p> <p>A review of the systems in place and evidence retained to support some minor areas of non-current asset classification and recording will be undertaken to enhance existing procedures.</p> <p>Responsible officer</p> <p>Head of Facilities and Property Management and Deputy Head of Finance</p> <p>Actioned by</p> <p>31 March 2025</p>	<p>Action implemented</p> <p>Arrangements are in place for facilities and properties management and finance to communicate updates or changes to non-current assets.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>4. Financial reporting</p> <p>Financial updates through East Ayrshire Performs provides updates at a service level on spend, projected service financial outturn, the reasons for the variances. While the report provides a council wide summary as part of the revenues section of the main report and narratively as part of the covering report, the presentation could be enhanced to make the overall financial position of the council clearer to stakeholders.</p> <p>Risk – Financial reports to members don't provide clear focus of the financial overview and oversight they require to effectively scrutinise the information presented.</p>	<p>Financial reports should be reviewed to enhance the clarity with which the overall council position is presented to elected members and other stakeholders as well as to ensure that sufficient focus is retained on financial matters within the range of performance information presented.</p> <p>Management response</p> <p>The Finance and ICT service has already recognised the benefit in reviewing the East Ayrshire Performs report and has as part of its service improvement plan approved at Cabinet on 18 September 2024 a key action point to "Review the content of Easy Ayrshire Performs and consider areas for inclusion and deletion in order to provide the most effective and up to date financial and budgetary reporting to Elected Members".</p> <p>Responsible officer</p> <p>Deputy Head of Finance</p> <p>Actioned by</p> <p>31 March 2025</p>	<p>Action Implemented</p> <p>East Ayrshire Performs reports have been improved to include more visual financial information</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>5. Asset register – fully depreciated assets</p> <p>Where assets are no longer in use they should be formally scrapped or sold. Assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p>Risk – Depreciation charges are not being correctly made to user services.</p>	<p>Where fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life.</p> <p>In progress</p> <p>Management conducted a review of all fully depreciated assets and identified 79 assets that were not in use. These assets were within vehicles, plant and equipment and were fully depreciated but had a gross book value of £10.576 million and have subsequently been disposed of.</p> <p>There remains 221 fully depreciated assets on the Fixed Asset Register with a gross book value of £12.100 million. 215 of these are vehicles which have been confirmed to still be in use. Management should consider their depreciation policy as it suggests vehicles are not depreciated over an accurate useful life.</p> <p>Management response</p> <p>This is significantly complete. Consideration will be given to the policy as part of the 2024/25 Annual Accounts process.</p> <p>Responsible Officer</p> <p>Deputy Head of Finance</p> <p>Actioned by</p> <p>31 March 2025</p>	<p>Action Implemented</p> <p>Useful life of vehicles increased from 7 year to 10 years.</p>

Progress made against outstanding agreed Best Value improvement actions

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>1. Equality impact assessments</p> <p>The majority of equality impact assessments from the last 18 months were completed by the council after the policy or strategy concerned had been finalised. Information on how EQIAs are conducted on the council's website is out of date.</p>	<p>Proposals to strengthen arrangements for systematic and routine completion of EQIAs were approved by the Council Management Team and Corporate Equalities Strategy Group in August 2023 and will be implemented over 2023/24.</p> <p>Chief Executive 2023/24: Update</p> <p>Work in progress</p> <p>Improvements to EQIA arrangements, including the online EQIA Toolkit, have been made over 2023/24 and further work is proposed.</p> <p>Key areas where EQIAs have been undertaken using the Toolkit in the last year include, the 2024/25 Revenue Budget and related savings proposals, closure of Auchinleck Leisure Centre and the review of Waste Management Services.</p> <p>Revised action</p> <p>To progress further development work on the EQIA toolkit to incorporate the new duties around Consumer Rights and the UNCRC.</p> <p>Responsible officer</p> <p>Head of Corporate Support</p> <p>Revised date</p> <p>March 2025</p>	<p>Partially implemented</p> <p>Management response: Further improvements to the Council's arrangements for EQIAs will be developed and implemented in 2025/26. This will include a review of the Council's EQIA toolkit and the identification of Equalities Champions and EQIA lead officers in Services.</p> <p>Responsible Officer: Chief Executive</p> <p>Action date: September 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>2. Reflecting workforce planning actions in service improvement plans</p> <p>The council updated its service improvement plans before the Workforce Strategy Action Plan was finalised and so they do not reflect its actions.</p> <p>Risk – Workforce planning actions that could be taken forward by services are overlooked</p>	<p>The council should ensure that actions from the Workforce Strategy Action Plan are reflected in the new service improvement plans being developed in 2024.</p> <p>Management response</p> <p>The Service Improvement Plans being developed for 2024 will include consideration of Workforce Planning priorities within each services action plan.</p> <p>Responsible officer</p> <p>Head of People and Culture</p> <p>Actioned by</p> <p>30 September 2024</p>	<p>Partially Implemented</p> <p>The 2024-27 service improvement plans include workforce information around staffing levels, gender and age profile. Some of the service improvement plans include some details around planned actions or next steps but this is not yet replicated in all services.</p> <p>Updated date for actioning management response:</p> <p>March 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>3. Expanding the range of workforce planning information used to make decisions</p> <p>Work by the council to capture the skills and development needs of its workforce and work to identify skills gaps is at an early stage. Real-time workforce data cannot be accessed by managers with ease.</p> <p>Risk – Workforce planning decisions are made based on incomplete information.</p>	<p>The council should expand the range of workforce planning information it collects and reports to include the skills, learning and development needs of its staff. It should progress the development of real-time workforce planning data reporting for managers to aid decision-making.</p> <p>Management response</p> <p>Digital Solutions are being progressed to track and monitor skills, learning & development needs and these will be incorporated into future reviews of the workforce plan. Real-time Workforce Planning data is being progressed, and we would hope to have this established by early 2025.</p> <p>Responsible officer</p> <p>People and Culture Manager [Workforce & Future Skills] and People and Culture Manager</p> <p>Actioned by</p> <p>June 2025</p>	<p>Partially Implemented</p> <p>Work is ongoing to use Power BI to develop dashboards from the information within the LearnPro system which will show training completed or required at a team level. A further strand of work has been developing with payroll/IT for the extraction and cleansing of data. Whilst this development work is ongoing, consideration continues to be given as to the best way to present and report the information.</p> <p>Updated date for actioning management response: March 2026</p>

4. Using digital technology to increase workforce productivity and benefits

The council could be clearer about how it plans to use digital technology to shape its workforce of the future.

Risk – Benefits from the use of digital technology are not fully realised

The council should clearly outline how it plans to use digital technology to shape its workforce of the future and demonstrate what workforce benefits and productivity gains have been made through its use of digital technology.

Management response

Work to embed digital efficiencies has already begun within Service and this will continue having regard to the financial and workforce challenges. Presentations have been made to the Council Management Team on how the use of digital technology can support effective service delivery while also producing financial savings. Similar presentations and reports have been made to Elected Members and Council. The Digital Management Board (DMB), will liaise with Heads of Service to support digital change and build upon the successful work of the earlier projects.

The DMB will produce digital workplans and will help services resource the digital change to deliver service based digital efficiencies. These will be linked to the Council's Workforce Strategy and Medium-Term Financial Strategy to ensure that efficiencies can be demonstrated and quantified.

Responsible officer

Depute Head of ICT and Digital

Depute Head of Finance

Partially Implemented

There are examples of work that has been undertaken to undertake reviews or service changes through the support of digital technology for example in benefits processing or the waste review. The innovation team support the design and preparation for the change of ways of working. Work is ongoing with the council to identify a suitable way to measure benefits obtained.

Responsible Officer

Update: Change Officer to Asst Director of Digital and ICT and Asst Director of Finance.

Update Date: March 2026.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
	<p>Supported by the Head of People and Culture in respect of workforce matters</p> <p>Actioned by: May 2024 with efficiencies demonstrated as part of the 2025/26 revenue budget process.</p>	
<p>5. Measuring the impact of changes to working arrangements on staff</p> <p>The council has introduced a new flexible working policy to promote improvements in work-life balance but has not yet captured the full impact of these new arrangements.</p> <p>Risk – Benefits from changes to working arrangements of staff are not optimised.</p>	<p>The council should measure the full impact of changes to working arrangements of staff. This could include productivity, service quality, costs and other measures. The council should then use these findings, alongside existing monitoring, to inform improvements to maximise job satisfaction and productivity.</p> <p>Management response</p> <p>Current flexible workstyle arrangements are kept under review, with a full review of the policy due in April 2025 in line with the Policy Review Schedule. Appropriate measures will be identified such as ensuring customer response times remain unaffected, where less buildings has led to a reduction in costs etc.</p> <p>Responsible officer</p> <p>Amanda Lowe, Head of People and Culture and Lynn Mitchell, People and Culture Manager [HR & Payroll]</p> <p>Actioned by</p> <p>April 2025</p>	<p>Partially Implemented</p> <p>The council commenced a monitoring process for Flexible Working requests in October 2023. The Council started reporting on Flexible Working in the Equality Monitoring Report of May 2025 covering the period January 2024 to December 2024. Further work is planned to develop measurement reports which will include consideration of the cost of buildings, energy savings, survey information. The council plan to review the flexible working policy by March 2026. This will include arrangements for visibility and personal interactions.</p> <p>Updated date for actioning management response: March 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>6. Capturing the learning from shared roles and functions</p> <p>The council is the lead authority for the Ayrshire Roads Alliance with South Ayrshire council. It also shares a small number of other teams and has introduced innovative flexible roles but has not captured the benefits of these.</p> <p>Risk – Learning from sharing roles and functions will not be applied when developing similar arrangements in the future</p>	<p>The council should capture learning from its shared roles and functions and the establishment of flexible roles to apply when developing similar arrangements in the future.</p> <p>Management response</p> <p>A review of the current flexible role model is underway and output from this will be used to increase and develop good practice, expand where appropriate and future consideration of this mechanism.</p> <p>Responsible officer</p> <p>Amanda Lowe, Head of People and Culture</p> <p>Actioned by</p> <p>September 2024</p>	<p>Outstanding Action</p> <p>The Update on the Council Strategic Plan Framework reported in June 2025 advised that the Best Value Service Review of Ayrshire Roads Alliance will conclude in December 2025. We have been advised that this recommendation will be considered as part of that review.</p> <p>Updated date for actioning management response:</p> <p>March 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>7. Monitoring the impact of workforce planning</p> <p>The council is working to develop more measures to capture the effectiveness of its workforce planning.</p> <p>Risk – The council does not know whether its workforce planning approach is making a difference.</p>	<p>The council should consider using tools developed by the Improvement Service help measure impact and identify workforce planning improvements.</p> <p>Management response</p> <p>The Council will review the tools developed by the Improvement Service for measuring impact of the workforce plan and will incorporate into our current measurements where appropriate.</p> <p>Responsible officer</p> <p>Head of People and Culture and People and Culture Manager [Workforce & Future Skills]</p> <p>Actioned by</p> <p>March 2025</p>	<p>Partially Implemented</p> <p>The council have looked to improve the measures in place for monitoring the impact of workforce planning and to develop specific measures for each priority. Work is continuing around the development of financial sustainability measures.</p> <p>Updated date for actioning management response:</p> <p>March 2026</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

East Ayrshire Council

2024/25 Annual Audit Report

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