Best Value

North Ayrshire Council

ACCOUNTS COMMISSION

Prepared by the Controller of Audit
October 2025

Contents

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Key facts

342	Square miles
133,570	Population
39.8%	Proportion of SIMD data zones in the most deprived 20%, North Ayrshire Council has the third highest proportion on this indicator 2020
6,407	Workforce (FTE)
33	Elected members 12 Scottish National Party, 11 Scottish Labour, five Scottish Conservative and Unionist, two Reform UK Group, three Independent. (Minority Scottish National Party administration)
£11m	General Fund cumulative budget gap for 2026/27 and 2027/28 (based on flat cash settlement, five per cent increase in council tax and after the planned use of £5.3 million of reserves)
£455.8m	General Fund net revenue budget 2024/25 (revised)
£167.2m	Capital budget 2024/25: £92.3m General Fund, £75.9m HRA

Commission findings

The Accounts Commission welcomes and endorses the Controller of Audit's report on Best Value in North Ayrshire Council (presented at page 6) and the recommendations made by the auditors. Following consideration of these reports at its meeting on 9 October, the Commission has made the findings presented below:

1 We are impressed by the council's commitment to securing Best Value, which is clearly at the heart of how it goes about its business. Communities across North Ayrshire should be reassured about how the council plans and manages its finances, and the way in which it is proactively working to address structural budget gaps and contextual challenges, including deprivation and a declining population. The council is self-aware, actively identifies areas for improvement, keen to learn from others' experience, and committed to improving outcomes and reducing inequalities.

2 Working with partners across and outwith the region, the council is demonstrating a real willingness to 'think big' and a commitment to sustainable change. While cost saving is a primary driver for its transformation programme, there is strong evidence that it wants to do things differently to improve outcomes and gain wider benefits. Examples like the Solar PV Farms project demonstrate innovation and a desire to impact positively on net zero and fuel poverty targets, even if financial savings are limited.

3 The council is an exemplar of how to do transformation well – robust governance, a dedicated investment fund, a well-established and well-resourced in-house team, a track record of delivering savings, and evidence of active collaboration on shared services with the other Ayrshire councils, who face similar challenges. We would urge senior officers and elected members to now confidently push on with this work despite political and structural complexities, ensuring that financial benefits can be realised in the medium term and wider benefits delivered in the longer term, including in relation to economic growth. We expect other councils facing similar challenges to look at what North Ayrshire is doing and how it is doing it in relation to transformation and change.

4 Recognised as a sector leader back in 2020, we are impressed that a considered and embedded approach to community engagement and empowerment continues, including successful implementation of participatory budgeting, engagement with young people, long-standing policies on asset transfer, and a new approach to budget consultation which has succeeded in attracting significant input from residents. It is evident that the council has good relationships with its communities and that trust is there, providing strong foundations when politics and decisions get difficult. We would encourage the council to continue to evidence that it is listening to its communities and acting on the results of engagement.

5 Like other councils, North Ayrshire faces significant medium-term financial risks, particularly in relation to spending on health and social care. We are encouraged that relationships across the Integration Joint Board (IJB) are positive, and oversight and scrutiny arrangements are robust. These factors will be critical if the necessary savings and recovery actions are to be delivered over the next few years. We also note that the council has used and still plans to use reserves to close funding gaps but has acknowledged that this is not sustainable. We look forward to following progress on how savings are being delivered in future annual audit reports and seeing progress on plans to achieve a sustainable cost base.

Controller of Audit report

1. This report is made by the Controller of Audit to the Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected as part of the 2022/23, 2023/24 and 2024/25 annual audits of the council, with the latest audit reported in September 2025. Appendix 1 (page 16) includes links to the Annual Audit Reports (AAR) and Appendix 2 (page 17) includes a link to the Best Value Statutory Guidance.

2. The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities, while the 2023/24 theme focused on workforce innovation. The theme for 2024/25 was transformation and how councils are redesigning and delivering services to achieve planned outcomes.

Pace of continuous improvement

3. North Ayrshire Council (the council) is committed to the principles of Best Value and demonstrates a strong culture of continuous improvement. The council has made good progress on previously identified improvement actions and systematically measures and reports its performance across its strategic priorities.

4. The council has effective financial management processes in place and its transformation programme planning and management arrangements are clear. However, officers are clear that savings from transformation alone are not sufficient to close forecast budget gaps.

5. While the council currently has reserves to support funding gaps, there is recognition that the continued use of reserves is not sustainable and that further savings will be needed. Elected members will face difficult decisions on how the use of resources is prioritised going forward.

Best Value Assurance Report (BVAR) follow-up

6. The council received a full BVAR in 2020 based on work undertaken before the Covid-19 pandemic. There had been good progress since the previous Best Value review in 2011, with just four improvement actions identified in 2020.

7. Scope for improvement was identified in relation to the further development of: transformation plans and arrangements; service-level workforce planning; locality planning; and the council's online public reporting portal.

8. The auditor has reported good progress against all four actions in the BVAR although further overlapping recommendations have been made in some areas, in subsequent Best Value thematic reports, to support further improvements.

Leadership review

9. Leadership in the development of new local strategic priorities was the subject of Best Value thematic work in 2022/23. The auditor concluded that the leadership of the council has been effective in setting clear priorities. The council published Our Council Plan 2023–28 in June 2023 which sets out four clear priorities that are aligned with the Community Planning Partnership's (CPP) three key themes. The council and its partners have a shared, long-term vision focused on addressing inequalities – a North Ayrshire that is fair for all. The council's new priorities were developed from sustained engagement with its communities.

10. Reducing inequalities is central to the vision and priorities of both the council and the CPP. The council views increasing inequalities as a very high risk.

11. Addressing climate change is also a clear priority for the council and they have adopted an ambitious target for North Ayrshire to be net zero by 2030. The council is using interim targets to help it track progress and a 49 per cent reduction in emissions has been reported since 2005.

12. Four improvement actions were identified by the auditor in their leadership review report, with three of these now complete. Work in relation to the introduction of a dedicated climate action web page is ongoing.

Citizen and community engagement

13. The council is committed to community engagement, with the 2020 BVAR referring to it being recognised, by the Scottish Government and COSLA, as a sector leader in community empowerment, embedding it into everyday business.

14. The council consulted extensively with its partners and communities in developing its council plan, using a variety of methods including locality engagement sessions, discussions with community groups, surveys and staff engagement sessions.

15. The council engages well with communities on participatory budgeting initiatives, with 1.85 per cent of their budget subject to participatory budgeting in 2024/25. This exceeds the councils target of one per cent. The council ran a young people's participatory budgeting initiative, through which over 4,000 young people voted, resulting in £56,000 being awarded to different youth projects.

16. The council has had a long-standing policy in place for community asset transfers, prior to the enactment of the legislation being fully completed. There have been ten community asset transfers including a town hall, football pitches and a toilet block. A further 12 expressions of interest have been received, and the council report that another 12 groups are working on applications.

17. A new approach to budget consultation was introduced for the 2025/26 budget process, with more extensive engagement sessions held with local community groups and stakeholders. Six public surveys were also undertaken with 4,461 responses received, a record number for the council. Of the transformation proposals included in the consultation, two were agreed as budget savings for 2025/25: the learning resource review and economic development service review.

Effectiveness of performance reporting

18. The council has a well-developed continuous improvement framework, Our Performance Management Strategy 2023–28, which sets out how it will measure and monitor progress against the council's four key priorities. The strategy is aligned with the council plan and the National Performance Framework and identifies clear milestones, targets and performance indicators, as well as the council's approach to benchmarking and self-assessment.

19. The council reports its progress on its agreed priorities through an annual performance report, supplemented by six-monthly updates and an annual analysis of the LGBF. It has set 26 priority indicators, updated quarterly and reported to the Executive Leadership Team, cabinet, and Audit and Scrutiny Committee. For benchmarking, the council also tracks an extended set of 33 LGBF indicators. These reports set out how the council plans to achieve Best Value and good governance and summarises progress made against the actions set out on the council plan action tracker.

20. The auditor concluded the council has good arrangements for the preparation and publication of statutory performance information, with work ongoing on a performance dashboard.

Reported performance

21. The auditor reports that good progress has been made in completing actions for years one and two of the council's plan. However, there is a recommendation that the council sets out in advance what criteria have to be met for an 'on target' judgement to be made for each action in its plan.

22. Performance information available for 2024 to 2025 was included in the council's Our Council Plan Six Monthly Progress Report in September 2025. The council reported that of its 26 council plan indicators:

- 13 (50 per cent) are currently on target
- 5 (19 per cent) are slightly adrift
- 6 (23 per cent) are significantly adrift
- 2 (8 per cent) had no available data or unknown.

23. Of the council's 33 LGBF priority indicators, 23 have shown an improvement from the most recent year, with ten showing a decline to the end of June 2025. Just over half of these indicators (17) are currently in the top two quartiles when compared with other councils.

24. An overview of movements on all LGBF indicators is shown in Exhibit 1 alongside the averages for all councils. The exhibit shows a good level of improvement for performance indicators, but more cost and satisfaction indicators have declined than improved, in the most recent year and since base year. The proportions of the council's indicators in the top two quartiles, when compared to other councils, has remained constant.

Exhibit 1.

North Ayrshire Council – LGBF indicator summary September 2025

Council movements are shown alongside Scotland averages in brackets.

	Cost indicators	Performance indicators	Satisfaction indicators	All indicators
Movement in last year	**%**	**%**	**%**	**%**
Improved	35 (51)	45 (41)	36 (25)	42 (41)
Stayed the same	0 (4)	24 (23)	18 (5)	19 (18)
Declined	65 (45)	31 (36)	45 (70)	39 (41)
Movement since base year				
Improved	45 (51)	68 (65)	0 (10)	57 (57)
Stayed the same	0 (1)	8 (6)	0 (2)	6 (5)
Declined	55 (48)	24 (29)	100 (88)	37 (39)
Indicators in the top two quartiles				
Most recent year	45	51	55	50
Base year	45	51	55	50

Note: Scotland average movements are shown in brackets.

Source: LGBF, August 2025

25. At service level, LGBF indicators show good improvement since base year for all service areas other than culture and leisure, and adult social care. Only 36 per cent of adult social care indicators are in the top two quartiles. The council continues to rank significantly below the family group and national averages for the number of days people spend in hospital when they are ready to be discharged and for self-directed support spend on adults as a percentage of total social work spend.

26. The council has demonstrated continuous improvement for children's services but the proportion of indicators in the top two quartiles has declined from 47 per cent in the base year, to 31 per cent in the most recent year. The council has relatively high costs per pupil (both primary and secondary), while attainment rates for primary literacy and numeracy are relatively low. The council ranked 31 for primary literacy and 29 for primary numeracy in 2023/24. Secondary attainment rates are above the family group average but below the Scottish average for levels five and six. School attendance rates remain a challenge for the council, with a rate of 89.1 per cent, and a ranking of 27 in 2023/24.

27. The auditor has noted that His Majesty's Chief Inspector of Education (HMIe), as part of a national thematic inspection of Scotland's local authorities, has reported in generally positive terms on how the council supports schools to improve the quality of education. HMIe recommendations will be incorporated into the council's education services improvement plan.

Workforce planning

28. In 2023/24, the Best Value thematic review focused on workforce innovation and how councils are responding to workforce challenges.

29. Overall, the report reflects positively on the council's workforce planning arrangements. Eight recommendations for further improvement were made, with six of these now reported as complete. Further work is ongoing on two actions relating to exploring opportunities for joint workforce arrangements with partners and development of a workforce performance dashboard to help monitor the impact of its workforce planning.

30. The council has a clear vision for workforce planning within its Council Plan 2023–28 and has embedded planning at service level. However, the auditor found that the corporate-level workforce strategy lacked clarity and could be better aligned with wider strategic priorities. The council also lacked a SMART corporate workforce action plan, and there remained scope for reporting of progress to be improved. The workforce strategy has subsequently been updated and an action plan introduced. Council plan updates also now include coverage of workforce priorities.

31. The council has adopted a wide range of approaches to develop future workforce capacity, including modern and graduate apprenticeships and its Leadership Academy. Good use has also been made of digital technology to improve workforce productivity and arrangements for agile working have been further strengthened.

32. A digital programme workstream has now been approved by the council's transformation board and a digital survey for staff was undertaken in November 2024. These measures will help with the ongoing delivery of the council's digital strategy and help ensure that gains are understood and quantified.

33. The council currently has joint working arrangements in place with other Ayrshire councils, sharing its Corporate Fraud Team with East Ayrshire, and occupational health delivery with East and South Ayrshire, for example. The council continues to explore opportunities for further joint working as part of its sustainable change programme.

34. The council completed a voluntary early release programme in 2023/24 which resulted in 85 employees leaving the council and a recurring saving of £2.4 million by 31 March 2025. Further workforce reductions are projected for 2025/26 through natural turnover and vacancy management, with 45 full-time equivalent employees expected to leave.

Transformation

35. In 2024/25, the Best Value thematic review focused on transformation and how councils are redesigning and delivering services to achieve planned outcomes.

36. The council's current transformation programme, known as its Sustainable Change Programme, was approved in 2023 and clearly sets out how it intends to transform its services, in line with its priorities. The programme consists of five workstreams and six service reviews. As at March 2025, 19 transformation projects were in progress, two were on hold and two were complete.

37. There are robust officer-led governance arrangements in place with a transformation board providing effective oversight of the change programme. The chief executive chairs the bi-monthly meetings of the Transformation Board which includes the members of the Executive Leadership Team.

38. The council has a well-established and well-resourced transformation team with 11 members of staff. Members provide project management and business analysis support to transformation projects.

39. Elected members receive updates on transformation projects through the annual budget process, the council's performance reporting framework, and reports to individual committees. However, there is scope for the council to improve its public reporting to provide assurance on how it is progressing with the overall delivery of transformation, including planned and realised financial and non-financial benefits.

40. The council actively works with partners to identify better ways of delivering its ambitions. The council's senior leadership is involved in discussions around a pan-Ayrshire approach with East Ayrshire Council and South Ayrshire Council, exploring opportunities for public sector reform and collaboration including the Ayrshire Economic Strategy.

41. Between 2021/22 and 2024/25, the council achieved financial efficiencies from its sustainable change programme of £3.1 million and forecast a further £8.5 million of savings for 2025/26 and subsequent two years. The projected savings fall short of the levels required to close forecast budget gaps and have been supplemented with further budget balancing measures in 2025/26. Officers are clear that workforce changes, reductions in services and council tax increases will also be needed going forward.

42. Council plans should more clearly set out the extent to which savings from transformation will help address the budget shortfalls set out in the medium-term financial plan. The auditor reported that the council needs to be more ambitious to fully respond to its financial challenges and should consider opportunities for more radical transformational change with partners. A council report on collaborative working in Ayrshire was considered by elected members in September 2025.

Financial management and sustainability

43. The auditor has concluded that the council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium term. Budget updates to elected members provide a good level of information on the reasons for variances, the projected financial outturn, and the in-year challenges facing the council.

44. A council report in December 2023 considered the longer-term financial outlook for the period to 2033/34 and a report in October 2024 considered the medium-term financial outlook for the three years 2025/26 to 2027/28. While the council currently has reserves to cover the immediate budget gaps forecast, its service cost base is not sustainable with a risk that reserves will be depleted over the longer term unless further recurring savings are made.

45. Longer-term challenges faced by the council include a forecast 4.2 per cent reduction in population by 2033/34, with older people set to make up a larger proportion of the population. These trends are likely to negatively impact anticipated funding levels while resulting in increased demand for services.

46. In 2023/24, the council utilised £16.7 million of the general fund reserves to support service delivery. The closing general fund balance stood at £93.4 million, representing 23.5 per cent of the council's net revenue stream for the year, the seventh highest level in Scotland on that measure.

47. In 2024/25, the council underspent on general fund services by £0.7 million, but within this total there was an overspend of £2 million on health and social care activities, and an overspend on education services of £0.9 million.

48. The total general fund balance increased slightly in 2024/25 but the council reports that the balance represents a slightly lower proportion of its annual budget. The uncommitted element of the general fund remains at the council policy minimum of two per cent of annual budget. Key financial information for the council is included in Exhibit 2.

Exhibit 2.
North Ayrshire Council – key financial information

	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget-setting				
Budget gap	10.6	19.3	20.6	13.9
Additional investment	1.7		2.0	5.0
Planned to be met via:				
Savings and flexibilities	9.9	12.4	17.6	8.5
Use of reserves	0	3.4	5	4
Additional council tax	2.4 (3%)	3.4 (5%)	0	6.3 (7%)
Actual				
Savings delivered	Not reported separately[1]			
Reserves				
Use of/(contribution to) reserves after earmarking decisions	(22.4)	9.3	(3.5)	
Total usable reserves carried forward	135.7	126.3	129.8	
HRA	13.7	20.6	22.1	
Capital and other	11.9	12.4	13.4	
General fund	110.1	93.4	94.3	
– Earmarked	102.1	84.9	85.1	
– Uncommitted	8.1	8.4	9.2	

Note 1. Delivery of total planned savings does not form part of routine reporting.

Source: Council accounts and budget papers

49. The council's health and social care activities remain under pressure, with £3.7 million of the savings identified for 2025/26 falling on this service area. The position reported to council's cabinet in August 2025 indicates that the IJB project an overspend of £5.2 million (1.5 per cent) on council services in 2025/26, reduced to £1.2 million through identified financial recovery actions. A Finance Working Group which includes the council's head of service (finance), meets monthly to facilitate increased oversight and scrutiny of the financial position and transformation programme.

50. Influenced by the demographic and deprivation challenges in the area, the IJB has projected budget gaps for 2026/27 and 2027/28. The gap for 2026/27 is between £8.1 million (best case) to £21.4 million (worst case). The council's current planning assumption is that the financial pressures facing the IJB will be met by savings and recovery actions.

51. The overall outlook for the council remains challenging with forecast general fund remaining budget gaps of £3.6 million for 2026/27, and £7.4 million for 2027/28 (after incorporating central planning assumptions based on flat cash settlements, five per cent increases in council tax and the planned use of reserves of £3.5 million in 2026/27 and £1.8 million in 2027/28). These gaps will increase if planned savings for 2025/26 are not delivered.

Delivery of the capital programme

52. The council's Capital Investment Programme 2025/26 to 2033/34 includes planned investment of £301.8 million, with around £138 million of this total to be met by new borrowing.

53. The auditor reported significant downward revisions to capital programmes in 2022/23 and 2023/24 and recommended the council review its approach. This resulted in the rephasing of around 19 per cent of the planned expenditure in 2024/25 and 2025/26 for delivery in later years. Delays to the capital programme will impact the pace of service delivery improvements and increase risks to the delivery of projects within budget as costs rise, something the council continues to monitor.

54. Following rephasing, the revised capital budget for the general fund was £91 million for 2024/25 and £46.5 million for the housing revenue account. Underspends of £0.4 million and £1.5 million were returned for general fund and HRA respectively.

55. The council's ratio of financing costs to net revenue stream remains relatively low at 2.7 per cent for the general fund in 2023/24, lower than family group and Scottish averages and fourth lowest in Scotland. The ratio of financing costs for the housing revenue account was also lower than family group and Scottish averages, at 18.9 per cent. The council was ranked ninth (out of 26).

Housing revenue account

56. Underspends on the HRA were reported in 2023/24 and 2024/25, with the main area of underspend being capital financing costs. The balance on the HRA increased to £22.1 million in 2024/25, with £13.2 million of this held to support the council house building programme. HRA reserves at the end of 2023/24 were the fifth highest in Scotland when expressed as a proportion of dwelling rental income for the year, at around 37 per cent.

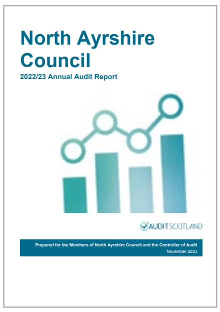
Appendix 1

Annual Audit Reports

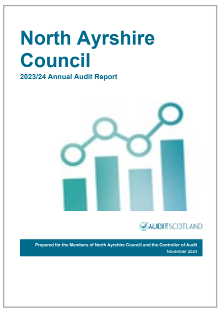
These reports summarise the findings from the 2022/23, 2023/24 and 2024/25 annual audits of North Ayrshire Council.

Each Annual Audit Report comprises:

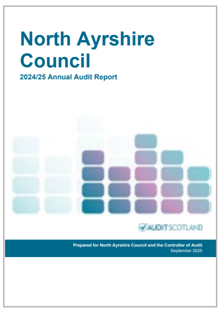
- significant matters arising from the audit of the council's Annual Accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
  - Financial management
  - Financial sustainability
  - Vision, leadership and governance
  - Use of resources to improve outcomes.



2022/23
Annual Audit Report
North Ayrshire Council
April 2024



2023/24
Annual Audit Report
North Ayrshire Council
January 2025



2024/25
Annual Audit Report
North Ayrshire Council
September 2025

Appendix 2

Best Value Statutory Guidance

The Local Government in Scotland Act 2003 introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

North Ayrshire Council

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