

East Ayrshire Council

2025/26 Annual Audit Report



Prepared for East Ayrshire Council and the Controller of Audit
September 2026

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Summary of audit opinions and conclusions

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed.

Wider scope audit

- 3 East Ayrshire Council has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- 4 Financial management is effective. The council reported a net deficit at the year-end of £2.419 million largely relating to overspends against the health and social care service. Total usable reserves have increased by £8.714 million to £125.746 million as at 31 March 2026. Of this £62.066 million is earmarked for future service related spend.
- 5 The latest update to the medium-term financial strategy was produced as part of the 2026/27 revenue budget exercise. Budget gap projections now show a cumulative gap funding gap of £18 million to 2027/28. The council approved a balanced budget for 2026/27. This included increasing council tax by 6.9% and £3.491 million of approved service savings.
- 6 Council approved changes to the senior management team after the financial year end. Interim arrangements are in place until October 2027.
- 7 Performance reporting arrangements are well established. National benchmarking data shows the council's performance has improved over time, but performance is mixed when compared to the prior year with 36.4% of indicators improving whilst performance declined for 43.6%

Best Value audit

- 8 East Ayrshire Council has effective and appropriate arrangements in place for securing Best Value.
 - 9 East Ayrshire Council has effective and appropriate arrangements in place for preparing and publishing statutory performance information.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of East Ayrshire Council's 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. Louisa Yule, of Audit Scotland, has been appointed as external auditor of the council for the period from 2025/26 until 2026/27. As reported in the Annual Audit Plan, Louisa Yule, as engagement lead, and the audit team are independent of the council 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.

Acknowledgements

4. We would like to thank the council 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.

Audit scope, responsibilities, and fee

Scope of the audit

5. 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.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

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.

Audit Fee

11. The audit fee for the 2025/26 audit of East Ayrshire Council was reported in the Annual Audit Plan and was set at £378,130. The audit fee for the audit of the registered charities administered by the council was set at £1,250. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National performance audit reporting

12. 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](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the council.

Audit opinions on the annual accounts

13. The council and its group's annual accounts were approved by the Governance and Scrutiny Committee on 24 September 2026 and certified by the appointed auditor on 24 September 2026. 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

14. The unaudited annual accounts and all working papers were received on 26 June 2026 in accordance with the agreed audit timetable.

Materiality

15. 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.

16. 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.

17. 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

2025/26 Materiality levels for the council and its group

Materiality	The council	Group
Materiality – set at 2% of gross expenditure	£13.880 million	£13.905 million
Performance materiality – set at 70% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£9.715 million	£9.730 million
Reporting threshold – set at 5% of materiality.	£0.690 million	£0.695 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the council is the Governance and Scrutiny Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. There are no significant findings to report.

Qualitative aspects of accounting practices

22. 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

23. 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

24. Accounting estimates are used in a number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension balance. 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 significant 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.

25. 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

26. 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.

27. On review of the Management Commentary, it was identified that disclosures could be enhanced to improve compliance with Code requirements. In particular, financial key performance indicators should be included and non-financial performance reporting strengthened through the presentation of a clear suite of KPIs, including current year performance, prior year comparatives, targets, direction of travel and links to the council's strategic priorities. Climate-related reporting should also be enhanced through the inclusion of specific performance measures, targets and an assessment of progress against those targets.

28. In addition, following audit review, a disclosure note has been added to the Remuneration Report to include detail on the council's salary sacrifice scheme. It has been agreed that further amendment will be made in relation to this going forward to fully align with non-cash benefit disclosures required by the Code.

Recommendation 1

Compliance with Management Commentary disclosure requirements

The Council should enhance the Management Commentary to include a balanced suite of financial and non-financial KPIs aligned to its strategic priorities. KPI disclosures should include current year performance, prior year comparatives, targets and direction of travel to enable users to assess performance trends and outcomes. Climate-related reporting should also be expanded to include measurable targets and an assessment of progress against those targets.

Group audit

29. 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 a number 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 2](#).

Exhibit 2

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 Fully scope audit of the council's annual accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .

Group component	Auditor and audit work required	Summary of audit work performed
Strathclyde Passenger for Transport	Audit Scotland Specific audit procedures on reserves.	Assurances were obtained from the auditors of Strathclyde Pension Fund and no issues were identified.
Strathclyde Concessionary Travel Scheme Joint Committee	Audit Scotland Analytical procedures at the group level.	No significant issues identified from analytical procedures performed at group level.
Ayrshire Valuation Joint Board	Audit Scotland Analytical procedures at the group level.	No significant issues identified from analytical procedures performed at group level.
East Ayrshire Leisure Trust	Audit Scotland Analytical procedures at the group level.	No significant issues identified from analytical procedures performed at group level.
East Ayrshire Integrated Joint Board	Audit Scotland Analytical procedures at the group level.	No significant issues identified from analytical procedures performed at group level.
East Ayrshire Common Good Fund	Audit Scotland Analytical procedures at the group level.	No significant issues identified from analytical procedures performed at group level.

Source: Audit Scotland

30. 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.

31. No significant issues have been identified from the group audit work performed.

Significant matters discussed with management

32. All significant matters identified during the audit and discussed with the council's management have been reported in the Annual Audit Report.

Audit adjustments

33. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.690 million are outlined in [Exhibit 3](#).

Exhibit 3 Audit adjustments

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000

1. An error was identified in the valuation of Ingram Enterprise Centre, where land area was used instead of gross internal area in the Depreciated Replacement Cost calculation, resulting in an understatement of £2.010 million. Management obtained a revised valuation and corrected the accounts and fixed asset register.

Property, Plant and Equipment

2.010

Net cost of service

(2.010)

2. An error was identified in relation to Cumnock Academy surplus land which was selected for sample testing. The land had been double counted as both surplus land and as part of the Barony Campus asset. The Net Book Value of this asset is £1.100 million.

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)	Balance Sheet
	Net Cost of Services	1.100	
	PPE - Surplus Assets		(1.100)
Net impact on financial statements		(0.910)	0.910

Source: Audit Scotland

34. Management of the council processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

35. In addition to the corrected misstatements outlined in [Exhibit 3](#), there were other misstatements identified lower than the reporting threshold that, when extrapolated, could have a potential error greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. Detail of these misstatements is reported at para 38. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

Whole of Government Accounts (WGA) return

36. The council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion. The council was below this threshold and therefore only limited audit procedures were required, and submission of an assurance statement to the NAO.

Significant risks of material misstatement identified in the Annual Audit Plan

37. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • 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. • 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.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. • No significant issues were identified from testing of year-end transactions. • No significant issues were identified from testing of accruals or prepayments. Conclusion: no evidence of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Valuation of property, plant and equipment The council held £988.206 million of property, plant, and equipment (PPE) at 31 March 2025, of which £866.354 million was land and building assets. The 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.	The audit team will: • 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 2025/26 valuation process, and challenge these where required. • Review the indices applied by management to assets not subject to valuation in 2025/26 and assess if these are reasonable and have been correctly applied.	Audit work performed found: • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management is involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2025/26 valuation process were appropriate. • The indices applied by management to assets not subject to valuation in 2025/26 were reasonable and had been correctly applied in most cases, however improvements are required to fully comply with requirements. See para 38. Conclusion: the valuation of PPE is not materially misstated.

38. During the course of the audit, the following issues were identified in relation to indexation applied by the council in 2025/26:

- The BCIS All-In TPI index was applied across all operational building assets. While the index selected is considered appropriate for DRC-valued assets in accordance with CIPFA Bulletin 22, testing identified that the index had also been applied to operational non-DRC assets. This includes industrial, retail, and office assets held as operational and surplus assets that should be valued on an investment/comparison basis per the council's stated indexation process and Code requirements. Three operational non-DRC assets sample tested had been incorrectly indexed using the BCIS

All-In TPI index resulting in an error of £0.055 million. Extrapolation of the sample results across the £10.839 million population indicates a potential land and buildings overstatement of £1.178 million. Whilst above clearly trivial, this is below materiality and has therefore been reported to management as an unadjusted audit difference.

- As above, indexation was not applied to surplus assets, despite the Code requiring surplus assets to be included within the indexation process. The resulting potential misstatement is estimated at £0.299 million, which is below the audit reporting threshold. While the impact is not material, the treatment is not fully compliant with Code requirements.
- There is an error with the formula used by the council to identify CIES revaluation loss balances, this has resulted in a total error of £0.290 million, where the revaluation / indexation gain to the CIES is understated by £0.145 million and the gain to the revaluation reserve is overstated by £0.145 million.
- Inconsistencies were identified between different records used by the council to maintain valuation information. This contributed to the errors identified above and increases the risk of inaccurate valuation methods being applied to assets held.

Recommendation 2

Indexation application and asset valuation records

Management should strengthen its annual indexation process to ensure indexation is applied consistently and in accordance with the Code and the council's agreed valuation methodology.

The errors identified highlighted inconsistencies between different records used by the council to maintain valuation information. To reduce the risk going forward, it is recommended that the council maintains a single, complete, and up-to-date record of valuation information, including asset valuation methodologies, that is fully aligned to Fixed Asset Register (FAR) asset references. This should support the accurate and efficient application of indexation.

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

39. 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

40. 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.

41. 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.

42. 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).

43. In June 2025, the Scottish Charity Regulator, OSCR, approved the wind up of the East Ayrshire Charitable Trust. The funds remaining were transferred to the Local History Group.

44. 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.

Prior year recommendations

45. The council has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the council and are outlined in [Appendix 1](#).

Wider scope audit

Conclusion

The council has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

Financial management is effective. The council reported a net deficit at the year-end of £2.419 million largely relating to overspends against the health and social care service. Total usable reserves have increased by £8.714 million to £125.746 million as at 31 March 2026. Of this £62.066 million is earmarked for future service related spend.

The latest update to the medium-term financial strategy was produced as part of the 2026/27 revenue budget exercise. Budget gap projections now show a cumulative gap funding gap of £18 million to 2027/28. The council approved a balanced budget for 2026/27. This included increasing council tax by 6.9% and £3.491 million of approved service savings.

Council approved changes to the senior management team after the financial year end. Interim arrangements are in place until October 2027.

Performance reporting arrangements are well established. National benchmarking data shows the council's performance has improved over time, but performance is mixed when compared to the prior year with 36.4% of indicators improving whilst performance declined for 43.6%

Audit approach to wider scope

Wider scope

46. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

47. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

Conclusions on wider scope audit

Financial Management

48. The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the council:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having a finance team that has sufficient skills, capacity, and capability to effectively fulfil its role and having suitably qualified and experienced staff leading the team.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Governance and Scrutiny Committee.

The council reported a net deficit at the 2025/26 year-end of £2.419 million, largely relating to overspends against the health and social care service

49. The annual budget process started in late summer 2024. Officers worked throughout the year to address the projected budget gap. The Medium-Term Financial Strategy Budget Update report presented to Cabinet in December 2024, contained a revised budget gap of £8.750 million for 2025/26.

50. Finance and service departments considered options to address the £8.750 million budget gap outlined. Following the announcement of the Local Government Financial Settlement in December 2024, finance officers confirmed that the funding gap to be addressed through savings remained unchanged.

51. In line with the practices of previous years, services were required to make savings on their overall budget with the exception of any protected areas of the budget for example teacher numbers and pupil equity fund.

Where a service has a protected element of the budget, their savings are required from the discretionary areas of the budget.

52. The saving requirements for 2025/26 were allocated across council services (£5.364 million), the East Ayrshire Leisure Trust (£0.120 million) and East Ayrshire Integration Joint Board (£3.266 million). The council's savings requirement of £5.364 million were categorised across a number of themes including workforce planning, income and commercialisation, property estates, digital and other.

53. As part of the budget setting process, East Ayrshire Council increased council tax by 8%. This was expected to generate additional revenue of £6.388 million.

54. Regular monitoring of the financial position took place throughout the year.

55. The council's 2025/26 year-end outturn was a net deficit position of £2.419 million. This consisted of a deficit on council services of £0.358 million and a deficit on the Health and Social Care budget of £2.061 million.

Social Care services continued to experience financial pressures during the year and recorded an overspend despite Council earmarking and drawing down reserves to provide £6.537 million of additional support

56. East Ayrshire Health and Social Care services have faced significant financial challenges over the past few years. Whilst financial recovery plans have been established a number of actions require multi-year actions before planned savings will be fully achieved.

57. The Council received a Direction from East Ayrshire Integration Joint Board in December 2025. At this time, the health and social care partnership were projecting an overspend of £10.279 million. The Direction required the Council, as the funding body for delegated social care services, to implement financial recovery measures in line with previously approved financial recovery plans.

58. Council considered the Direction at its meeting on 11 December 2025. In response to the financial challenges, the Council established a Task Force comprising the Council Chief Executive, Director of Financial and Digital and the Chief Governance Officer as well as the Chief Officer of the IJB.

59. The Council considered the financial pressures of the health and social care service as part of the annual review of balances, as detailed at paragraph 62. It was recognised that whilst long term recovery measures were in place, there was going to be a requirement for the council to provide one-off funding during 2025/26 to support the significant overspend. Cabinet agreed to release £0.812 million of service balances

and £5.725 million of central balances being held centrally in a Health and Social Care Emergency Financial Support fund. Cabinet agreed that funds would only be released when the year-end financial position was known.

60. The reserve funds were required in full to support the year-end position. Despite the reserve funds of £6.537 million, a deficit was still recorded against the Health and Social Care budget of £2.061 million.

Service balances increased during the year. The health and social care overspend was met from balances previously set aside and from General Fund uncommitted balances.

61. Council approved the Reserves and Balances Strategy on 27 February 2025. In line with the strategy, service are allowed to carry forward underspends arising 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. In addition, services are required to carry forward sums earmarked against specific initiatives or liabilities.

62. Cabinet review and approve balances annually following the conclusion of the audit of accounts. In 2025/26, service balances of £16.561 million were utilised by services and £16.521 million of new balances were added to service reserves. The Health and Social Care Partnership overspend was met from previously set aside balances and an agreed balance from the General Fund uncommitted balance. Council tax has increased by an additional 1.9% in 2026/27 to return the uncommitted general fund balances back to its previous level.

General Fund reserves have increased in year

63. One of the key measures of the financial health of a council is the level of reserves held. The council's usable reserves as at 31 March 2026 are £125.746 million. These are split across the following reserves at 31 March 2026:

- General Fund balances of £70.727 million
- Housing Revenue account balances of £23.215 million
- Renewal and Repairs Reserve £2.554 million
- Capital Fund £29.259 million

64. 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 Acting Head of Finance and Chief Financial Officer) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- Working balance: To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

- Contingency: To cushion the impact of unexpected events or emergencies.
- Known requirements: To build up funds to meet known or predicted requirements.

65. The council's Reserves and Balances Strategy, requires that a minimal level of uncommitted reserves of 2% of net revenue expenditure would be maintained. At 31 March 2026, the general fund uncommitted balance was £8.661 million. This represents 2% of net revenue expenditure and is in line with the Strategy requirements. 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%.

66. The general fund reserve of £70.727 million includes earmarked balances for services. This includes balances of £37.534 million committed for the early intervention and prevention fund; £3.200 million in relation to the council's innovation fund and £1.501 million for affordable housing.

67. We have considered the council's 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 2025/26 rent increases. The Housing revenue account was under budget by £1.772 million in 2025/26

68. 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. The council consulted housing tenants in December 2024 on two options for rent increase proposals for 2025/2026.

69. The rent proposal referenced the council's Housing Asset Management Framework, Housing Investment Programme 2025/2026 2029/2030 and the Strategic Housing Investment Plan 2025-2030 approved by Cabinet in November 2024.

70. A consultation leaflet was issued to Council tenants outlining the two proposals. One for a rent increase of 7% and the other a rent increase of 8% but with the additional rent income being used to deliver additional affordable homes within East Ayrshire. Responses to the consultation could be submitted through a variety of sources including text message, email and smart surveys.

71. The majority of respondents selected the first option, for rent to increase by 7% and this was approved by Council on 19 February 2025.

72. Within the annual accounts, the council recorded a surplus on HRA services of £4.092 million. Following accounting adjustments of £2.320 million through the movement in reserves statement to reflect accounting and funding basis as required by statute, a small movement of £1.772 million was recorded and increased the cumulative balance on the HRA at 31 March 2026 to £23.215 million. This is earmarked for commitments in future years including initiatives through the Housing Asset Management Framework, Housing Investment Programme and the Strategic Housing Investment Plan.

The council 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 the challenges facing the council

73. 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.

74. Cabinet consider financial updates quarterly through the East Ayrshire Performs report. As reported in our prior year Annual Audit Report, officers invested time and resource in 2024/25 to review and refresh the format of these reports with the first revised East Ayrshire Performs report was presented to Cabinet on 3 September 2025.

75. The reports follow an interactive reporting format. Officers have utilised graphs and Power BI tools to enhance the content. This enables the visual presentation of areas of pressure and challenge. This new format and approach directs focus to the key issues that may impact the council's ability to deliver against its strategic priorities.

The council plan is revised throughout the year to reflect the status of projects. The general services capital budget was re-profiled during the year with significant balances planned for spend in 2025/26 being deferred into future years

76. In February 2025, Council approved the capital budget for 2025/26 for general services and housing as outlined within the Building A Future East Ayrshire paper. General Services approved budget was set at £80.837 million and the housing services budget was £45.025 million.

77. Throughout the year, the capital budgets are monitored, managed and re-profiled to reflect the status of the capital programme, to incorporate new capital funding streams for specific projects or changes to the Scottish Government funding assumptions.

78. Revisions to the capital budget are approved through the East Ayrshire Performs reports to Cabinet.

General services programme 2025/26

79. The approved general services capital expenditure budget for 2025/26 was £80.837 million. The capital budget was re-profiled through the period four, six and nine East Ayrshire Performs reports. Cabinet approved for re-profiling of the capital budget into future years at these meetings by £25.188 million, £7.593 million and £15.733 million respectively. Alongside some increases in capital budgets the revised budget for 2025/26 was £50.989 million with capital expenditure in year totalling £39.396 million (this included capital spend on third party projects of £7.406 million).

80. The projects with the greatest level of re-profiling to future years were:

- Cultural Kilmarnock (£8.9 million re-profiled) due to additional work identified following the commencement of the project.
- Doon Academy (£11.620million re-profiled) due to works starting later than anticipated
- Stewarton Academy Extension (£5.960 million re-profiled) due to tender issue taking place in the last quarter of 2025, therefore delay work commencing on-site to May 2026.

81. The monitoring of the capital programme in-year has been further developed in recent years. There is evidence of projects being re-phased on a timely basis as new information or challenge arise in individual projects. However, when the approved budget is compared to the outturn position, it is evident that significant changes have been processed throughout the year.

Recommendation 3

Significant re-profiling between the approved and revised general services capital budgets

Finance should continue to engage with the Facilities Management Team to ensure the capital budgets reflect planned activity.

East Ayrshire Performs reports should be enhanced to more clearly set out changes to budget phasing during the year.

Housing services capital programme 2025/26

82. The housing services capital expenditure budget for 2025/26 was £45.025 million. The budget was revised to £34.491 million at period nine.

83. Expenditure incurred in year was £33.434 million with £24.445 million relating to housing investment and £8.989 million on council house builds.

This represented 74% of the approved budget and included building, improving and acquiring assets.

Borrowing levels increased during 2025/26 due to an increase in long term borrowing. The council adhere to the affordability cap established through the Treasury Management strategy

84. The council's medium-term financial plan alongside the treasury management and investment strategy provide a guide to the borrowing needs of the council. The council continue to utilise external borrowing to support the financing of its capital plans.

85. The 2025/26 Treasury Management Strategy identified that for the period 2025/26 to 2029/30 the council's approved gross capital expenditure is £443.333 million. Funding of £200.996 million is expected to be in place with the balance of £242.337 million being the borrowing requirement.

86. During 2025/26 the council's long-term borrowing totalled £453.887 million, an increase of £12.469 million on the prior year end position. Over the same period short term borrowing remained relatively stable with a small increase of £0.062 million to £60.898 million. The council remained within its authorised capital financing requirement (CFR) of £729.441 million, with the actual CFR being £703.619 million.

87. The council continues to manage its borrowing through its treasury management strategy. In 2023/24 the Treasury Management Strategy introduced a local affordability indicator. This sets the upper limit for gross general fund debt charges to a maximum of 8% of net revenue stream in any financial year. This provides a control to ensure that debt charges remain prudent and affordable. The capital programme is reviewed annually to ensure that it remains within the affordability cap and where necessary some projects are re-phased or re-prioritised.

There are well-established financial control arrangements in place

88. 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 that management do not have a formal reconciliation process for reconciling the general ledger and payroll system. We recommend management look to implement this going forward.

89. 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.

90. 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.

91. 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 2025/26 provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements

92. 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.

93. In March 2026, the Chief Internal Auditor moved to the Interim Chief Finance officer role of the East Ayrshire Integration Joint Board for a fixed period of a year. The Audit Manager within the internal audit team has taken on the role of Acting Chief Internal Auditor for this period.

94. The Chief Internal Auditor presented internal audit's annual report to the Governance and Scrutiny Committee on 23 April 2026. 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 2026.

Financial Sustainability

95. The audit work performed on the arrangements the council has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the council:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

- having savings plans in place to manage forecast budget deficits, and a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met.

The latest update to the medium-term financial strategy as part of the Strategic Framework shows a cumulative budget gap of £18 million to 2028/29

96. 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 2025/26 projected a budget gap for 2027/28 of £6 million and a further gap of £12 million for 2028/29 as outlined in [Exhibit 5](#).

Exhibit 5

Updated MTFS projections – annual budget gap 2026/27 - 2028/29

	2026/27 £'million	2027/28 £'million	2028/29 £'million
Expenditure	461.0	475.0	487.0
Income	-461.0	-469.0	-469.0
Gap	(-)	(6)	(18)

Source: East Ayrshire Council – Setting the 2026/27 Revenue Budget February 2026

97. The council started work on developing the 2026/27 budget in late summer 2025. 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. The 2026/27 budget gap was reviewed following the publication of the Scottish Government's Medium Term Financial Strategy in June 2025 which highlighted an indicative real terms growth uplift in the anticipated financial settlement to local government in 2026/27 later in the year.

98. Following the review the budget gap for 2026/27 was set at £5 million and allocated to services in October 2025. 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 balanced budget for 2026/27. This included increasing council tax by 6.9%

99. All local authorities are navigating significant financial pressures which are projected to increase in future years. In the June 2026 Local Government Budgets 2026/27 Bulletin, the Accounts Commission stated that *“projected reductions in Scottish Government funding over the medium term are expected to intensify financial pressures and increase the risk of councils becoming financially unsustainable, unless they stop, reduce or significantly redesign services”*.

100. In February 2026, council approved a balanced budget for 2026/27 of £460.172 million which included a commitment of £129.153 million to East Ayrshire Health and Social Care Partnership (HSCP). This balanced budget followed a final grant settlement from the Scottish Government of £348.006 million.

101. Following approval of expenditure reduction measures totalling £3.491 million, the 2026/27 budget modelling required a Council Tax increase of 5% in order to balance the revenue budget. The initial budget presented to Cabinet included a proposal to increase council tax by a further 3% in order to replenish the General Fund Uncommitted Balance following the IJB overspend position. An amendment to the budget was proposed and an agreed total council tax increase for 2026/27 of 6.9% was approved. This is expected to generate £5.714 million of additional revenue.

102. 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 taken actions to address funding gaps that have arisen in recent years through identifying new savings proposals and continuing to take measures to reduce expenditure.

103. This is evidenced by the work undertaken within the education service to address the sustained financial pressures noted in 2024/25 and 2025/26 relating to additional support for learning transport and teacher absence cover. A transport review was implemented during 2025/26 and the £2.416 million overspend projected at quarter one, reduced to £1.083 million at the year-end. Alongside the transport review, a wider additional support for learning review is ongoing and it is anticipated that further savings will be realised in the short term.

104. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in [Exhibit 6](#). Analysis of the savings achieved highlighted that both the council and East Ayrshire Leisure Trust have fully achieved their savings targets in the years 2023/24 to 2025/26.

Exhibit 6

Key financial information

	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
Budget gap	10.372	10.041	15.138	9.205
Planned to be met via:				
• Savings and flexibilities	6.750	7.000	8.750	3.491
• Use of reserves				
• Additional council tax / funding	3.622	3.041	6.388	5.714
Actual				
Savings delivered	5.830	4.660	7.000	
Reserves				
Use of / (contribution to) reserves		5.296	8.714	
Total usable reserves carried forward	111.735	117.031	125.746	
General Fund:				
• Earmarked	32.732	59.687	62.066	
• Uncommitted	30.659	8.280	8.661	

Source: The council's 2025/26 annual accounts and budget setting papers

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

105. As reported in our prior year annual audit report, two significant financial events occurred in recent years. 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.

106. 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. During 2025/26, a further £12 million were added to the fund due to the second year of reduced employer pension contributions. At 31 March 2026, the fund totals £37.534 million.

107. As outlined in the paper to Cabinet in June 2026, total balances committed from the early intervention and prevention fund since 2024/25 are £12.277 million. During 2024/25 the fund provided support in the provision of half price school meals, ASN holiday cover and power of attorney. Each of these projects were agreed as multi-year.

108. During 2025/26 further projects commenced including jobs and training; speech and language therapy and wellbeing support for CentreStage. At the time of approval each project has a project lead, allocated budget and timescale as well as outlining the benefits expected. The council intend to use learning from the Early Intervention and Prevention initiatives to identify learning that can be used on a wider scale to help enhance early intervention and prevention, reduce demand for services and support the council to secure a sustainable future going forward.

Vision, Leadership and Governance

109. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:

- having a Strategic Plan in place, supported by Service Plans, that clearly set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

Council has recently approved changes to the management team

110. In May 2026, following unforeseen and unrelated circumstances the Chief Executive and Deputy Chief Executive were both unable to undertake their duties.

- The Leader and Deputy Leader of the Administration and main opposition party as well as the Leader of the Conservative group

established interim arrangements. These took immediate effect on 27 May 2026 until the Council meeting on 25 June and are as follows:

- the Director of Finance and Digital became Acting Chief Executive and
- the Chief Governance Officer took up the post of Acting Depute Chief Executive (Communities and Economy).

111. The Chief Executive retired in June 2026. Council approved the following interim arrangements at its June meeting:

- the Director of Finance and Digital was appointed Chief Executive, on a temporary basis until 31 October 2027;
- Chief Governance Officer is appointed Acting Depute Chief Executive (Communities and Economy), on a temporary basis until October 2027 or until the Deputy Chief Executive returns to work;
- the Assistant Director of Finance be appointed Head of Finance and Chief Financial Officer (s95);
- the Assistant Director of ICT and Digital be appointed Head of ICT and Digital;
- Team Leader (Litigation and Advice) will be Acting Chief Governance Officer.

112. The Deputy Chief Executive/Director of Health and Social Care left the Council in June 2026. Interim arrangements were established over the summer whilst a recruitment process took place. Interim arrangements were:

- the Head of Locality Health and Care Services being appointed the Acting Director of Health and Social Care;
- two Senior Managers within Locality Health and Care Services undertaking the duties of the Head of Locality Health and Care Services. One senior manager will have a focus on operational issues, with the second focussing on the transformation agenda, within Locality Health and Care Services.

The strategic plan provides clear direction on the council's priorities and the council are committed to starting work on the development of the next strategic plan

113. 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.

114. An update to the Council's Strategic Framework was presented to Council on 31 October 2025. This provided the second annual update on the framework and focussed on progress made during the past year against agreed actions and related performance measures.

115. Data has been collated across a six-year period and presented alongside data from the Council's 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.

116. The Governance and Scrutiny Committee in its review of the Code of Corporate Governance identified actions for improvement for 2026/27. This included a commitment for the council to start developing the next strategic plan and its wider strategic framework for 2027-2032.

Governance arrangements are appropriate and operated effectively

117. 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.

118. Governance arrangements are well established within the Council. The Council's governance arrangements are set out in the annual governance statement in the annual accounts. The Governance and Scrutiny Committee carried out an annual review of the Code of Corporate Governance. This included completing an annual self-assessment. Improvement actions identified have been included in an action plan to take forward in 2026/27.

119. The audit team regularly attend the Governance and Scrutiny Committee as well as reviewing the Council, Cabinet and other committee papers as appropriate. 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.

Disaster recovery and business continuity arrangements are in place but arrangements around the documentation of the review of these could be strengthened.

120. The council has a dedicated Disaster Recovery and Business Continuity Officer who oversees the regular review of business continuity

and disaster recovery plans. As part of the audit, we noted that record keeping around the timing of these reviews could be strengthened to ensure that evidence of the timing of the review is documented.

121. In May 2025, Cabinet approved the procurement of a Cyber Incident Response (CIR) service. This service would provide extra support in the event of an incident and an exercise has taken place test this Within the prior year Annual Audit Report, we reported that it would be good practice to put in place measures to test the effectiveness of these recovery 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. A tabletop exercise was conducted in August 2025 at the Council Management Team (CMT) level to assess the potential impact of a cyber-attack on critical services. The exercise highlighted how such an incident could create cascading effects across departmental Business Continuity (BC) and Disaster Recovery (DR) plans, emphasising the need for coordinated response strategies and resilience planning, however, there has been no actual testing of the plans.

122. The outcomes of this exercise were considered again by CMT in early September 2026, with CMT being mandated thereafter to review their Service arrangements and to return to CMT by the end of October 2026 with a list of current “key systems”, to allow for the creation of a priority restoration list that will subsequently be considered and approved by CMT. The ICT Service, supported by the Council’s Cyber Incident Response Partner, recently refreshed their Cyber Incident Response Plan (CIRP), with the intention to now develop a cyber exercising programme using resources available from both the National Cyber Security Centre and Scottish Cyber Coordination Centre. ICT have also delivered several e-mail phishing simulations across the Council in 2026, with “repeat offenders” now subject to additional training. This is in addition to mandatory core cyber awareness training. Whilst ICT continue to test the restoration of files from back-up as part of their recovery process, the ICT Security & Cyber Defence Manager is currently liaising with the wider ICT Management Team to complete cyber exercising in 2027; and the provision of ICT support to other Services in relation to this has been conveyed to Council Management Team.

Use of Resources to Improve Outcomes

123. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

Performance reporting arrangements are well established and use benchmarking, trend analysis and commentary to support the analysis

124. [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.

125. 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 indicators – The council's arrangements for performance reporting focus on 56 local indicators. These are a mix of Local Government Benchmarking Framework (LGBF) data and other comparative Performance Indicators, reflecting the 2024 SPI Direction. The council use the results published by the Improvement Service as part of the LGBF. The latest information available is for 2024/25. The Joint meeting of the Council and the Community Planning Partnership Board on 11 September 2025 received details of the available 2024/25 Performance Indicators and the previous two years comparative data. The Governance and Scrutiny Committee in April 2026 were updated on progress in relation the Council's 2024/25 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 2026 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 2024/25 and improvement actions are outlined.
- Service Improvement Plans covering the period 2024 – 2027 were approved by Members in August and September 2024. Following a review of the approach, it was decided to move from an annual update to a mid-cycle review. Mid-cycle reports will be presented to Cabinet in August and September 2026.

126. In October 2025 the council reported progress against its Strategic Framework. The council have responded to previous audit recommendations and collated comparative data across a six-year period for the strategic framework performance indicators. The data has been sourced from the council's Local Government Benchmarking Framework Family Group and Scotland-wide figures. This information provides the council with a basis to set performance targets and to measure and compare performance.

Best Value audit

Conclusion

The council has effective and appropriate arrangements in place for securing Best Value.

The Management Report on themes prescribed by the Accounts Commission reported the council has a clear asset management strategy in place which is supported by effective governance and accountability arrangements.

The council has appropriate arrangements for complying with the SPI Direction and no significant non-compliance has been reported. A number of improvement actions have been identified to enhance reporting arrangements.

Audit approach to Best Value

127. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value in accordance with statutory guidance, including follow up of findings previously reported in relation to Best Value.

128. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2025/26 is on the subject of asset management and involved considering how councils are managing their assets to ensure high-quality services while also responding to challenges around financial sustainability and climate change. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

The council's arrangements and performance in meeting Best Value and community planning duties

129. The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements

found these were effective and appropriate. This judgement is evidenced by:

- the council having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- the arrangements the council has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.

Themes prescribed by the Accounts Commission

130. As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2025/26 on the subject of asset management. Conclusions and judgements on the council's approach to asset management are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- East Ayrshire Council demonstrates an effective approach to its asset management. The strategic approach is outlined in its comprehensive 2019 Asset Management Framework. This gives consideration to the changing needs of its population and new ways of working and also sets out how it will support the council to meet its net zero emission commitments.
- There is clear strategic alignment between the Asset Management Framework, service-level asset management plans and the capital investment programme. The Asset Management Framework also supports the delivery of the council's strategic objectives.
- In 2024/25 we reported that the council's financial management is effective. The council operates within its budget and maintains reserves in line with its reserve strategy, which includes earmarked funds to invest in services for the future. The council has sufficiently considered the affordability of its capital programme and asset management plans. This is evidenced via its affordability cap and planned reductions in the capital programme over time. Reports on the delivery of the capital programme show significant expenditure on some key projects but financial pressures and external factors are leading to slippage across a number of projects.
- The council's reporting and monitoring arrangements enable good scrutiny and oversight of progress towards implementing its capital programme and asset management plans.
- The council is in the top quartile of council performance for three of the four asset management Local Government Benchmarking

Framework indicators, relating to quality and condition standards and energy efficiency. Its performance is in the third quartile for the percentage of operational buildings that are suitable for their current use. Mixed trend performance is reported for its internal asset management indicators which help drive its continuous improvement in this area.

- The council works collaboratively with partners to manage and deliver shared assets locally. It has a clear approach to engaging with communities on asset management planning and can demonstrate how it has worked with communities to inform its decision making in relation to assets.
- The council has a strong track record and clear approach for supporting Community Asset Transfer (CAT) requests. While transparency around how applications are scored against assessment criteria could be improved, it has a consistent approach to assessing and scoring CAT applications.
- We have not identified any improvement actions required by the council from our work.

Statutory performance information (SPI) and service performance

131. The Accounts Commission has issued a [Statutory Performance Information Direction](#) which requires the council to publish information that will:

- enable comparisons of performance between councils and over time
- show how well it is improving local outcomes with community planning partners in their area.

132. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing SPI in accordance with the Direction and report a conclusion in the Annual Audit Report.

133. The arrangements the council has in place for preparing and publishing SPI were assessed by considering:

- whether information reported allowed comparison of performance between councils and over time
- the indicators it uses for reporting and whether it maximises use of the Local Government Benchmarking Framework (LGBF) indicators (and explaining the rationale when the LGBF is not used)
- whether information reported was balanced, timely, and accessible

- whether information reported covered the four key areas set out in the Schedule to the Direction.

134. East Ayrshire Council has appropriate arrangements in place for preparing and publishing SPI information. East Ayrshire Council has an established performance framework of 56 local SPIs for 2024/25, with data reported over the last three financial years where available.

135. The Council also publishes performance information through an online statutory performance indicator dashboard covering 2019/20 to 2024/25, and reporting links to the Improvement Service benchmarking tool for LGBF performance information.

136. Partnership performance is reported separately through the Local Outcomes Improvement Plan (LOIP) Annual Report 2024/25 and supporting LOIP dashboard. The LOIP Annual Report states that it is part of a suite of annual performance materials used to show how the Community Planning Partnership is performing, what is working well and where improvement is needed.

137. No significant non-compliance with the SPI Direction was identified from the assessment performed, however, it was noted that the following improvements could be made to reporting arrangements:

- Inclusion of key family group comparison along with an explanation of why the comparator councils are relevant and demonstrate how learning from better-performing councils is informing improvement activity.
- comparison of targets and actual performance for key local SPIs where appropriate.
- inclusion of clearer timescales, responsible services and key milestones.
- publication of a short public-facing annual performance summary setting out what improved, what declined, how East Ayrshire Council compares with similar councils, what action is being taken and how performance links to local priorities.
- tracking the performance impact of significant budget, savings and transformation decisions, including trends over time and comparisons with family-group or comparator councils.
- link to relevant budget papers, savings plans and medium-term financial planning information, either within the report or through the performance section of the Council's website.

The council’s performance from national benchmarking data shows improvement over time but performance is mixed when compared to the prior year with 36.4% of indicators improving whilst performance declined for 43.6%

- 138.** 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.
- 139.** The April 2026 report to the Governance and Scrutiny Committee on the Local Government Benchmarking Framework provides a clear summary of East Ayrshire’s performance. It states that there were 109 LGBF indicators, of which 94 had data available at the time of reporting.
- 140.** For the reportable indicators 58.5% were recorded within the top two quartiles for 2024/25 compared with 56% in 2023/4 and 52.4% in 2022/23. Of these 16 indicators were in the first quartile and six of these ranked in the top five in Scotland. These included personal care at home for people aged 65 and over, cost per attendance at sports facilities, cost of parks and open spaces, A and B class road condition, and council dwellings meeting the Scottish Housing Quality Standard.
- 141.** Overall, 56.4% of indicators showed improving or maintaining performance between 2023/24 and 2024/25 and 65.7% showed improving or maintaining performance over the longer term from the base year, generally 2010/11.
- 142.** The Accounts Commission requires auditors to report a summary of the LGBF indicators the council has reported, which can be seen in [Exhibit 7](#).

Exhibit 7
Summary of LGBF indicators the council has reported

	Cost indicators %	Performance indicators %	Satisfaction indicators %	All indicators %
Movement in last year				
Improved	45%	37.9%	9.1%	36.4%
Stayed the same	15%	22.8%	9.1%	20%
Declined	40%	39.2%	81.8%	43.6%
Movement since base year				

Improved	60%	72.7%	0%	62.9%
Stayed the same	0%	3.9%	0%	2.8%
Declined	40%	28.1%	100%	34.3%
Indicators in the top two quartiles				
Most recent year	75%	53%	9%	53%
Base year	70%	36%	55%	44%

Source: LGBF at 24 July 2026

143. [Exhibit 7](#) shows that overall LGBF performance has improved since the base year, with 62.9% of all indicators improving and 53% now in the top two quartiles. However, satisfaction indicators show a significant deterioration, with 81.8% declining in the last year and 100% declining since the base year

144. The following indicators highlight where the council has seen the most significant improvements or worsening of performance:

- The percentage of council dwellings meeting the Scottish Housing Quality Standard was ranked 1st nationally in 2024/25, with performance increasing from 91.7% in the base year to 98.2% in 2024/25.
- Roads condition indicators have improved significantly over the longer term. The percentage of A class roads that should be considered for maintenance treatment improved from 38.9%, ranked 29th, in the base year to 17.7%, ranked 2nd, in 2024/25. The equivalent B class roads indicator improved from 45.0%, ranked 28th, to 25.2%, ranked 4th.
- The percentage of people aged 65 and over with long-term care needs receiving personal care at home remains among the strongest indicators, ranked 5th nationally in 2024/25. However, performance reduced from 71.3% in 2023/24 to 68.9% in 2024/25.
- The proportion of pupils entering positive destinations declined from 95.2% in 2023/24 to 93.3% in 2024/25 and was ranked 31st. This was below the Scottish average of 95.7%.
- The school attendance rate improved slightly from 88.3% in 2023/24 to 89.1% in 2024/25, but remained ranked 32nd, below the Scottish average of 91.0%.

- The school exclusion rate per 1,000 pupils worsened, increasing from 17.3 to 23.1, with East Ayrshire ranked 29th in 2024/25 against a Scottish average of 15.2.
- Satisfaction indicators show a significant deterioration. 81.82% of satisfaction indicators declined in the last year and 100% declined since the base year. The proportion of satisfaction indicators in the top two quartiles reduced from 55% in the base year to 9% in the most recent year. This is reflected in individual indicators such as percentage of adults satisfied with libraries, which declined from 86.4% in the base year to 58.7% in 2024/25, and percentage of adults satisfied with street cleaning, which declined from 69.1% to 47.3%.
- The claimant count as a percentage of the 16 to 24 population improved over the longer term, reducing from 10.5% in the base year to 4.8% in 2024/25. However, it remained ranked 30th and above the Scottish average of 3.3%, indicating that youth unemployment remains a comparative challenge.

145. 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 fifteen indicators noted as performing within the bottom quartile. For each of these indicators trend analysis from the past three years as well as performance compared to the base year has been detailed. Planned actions to support improved performance are outlined.

146. 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.

147. The LGBF data should continue to be used alongside the council's own performance management framework as well as its engagements with communities to assess local performance and priorities. This will provide a breadth of data to inform and identify where improvements and better outcomes for communities can be achieved.

Progress against previous Best Value findings and recommendations

148. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and in Best Value reports published by the Accounts Commission, which are based on Controller of Audit reports.

149. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#), with six of the nine recommendations made being implemented to date, and progress being made with no further recommendations from the asset management report. Overall, the pace and depth of improvements resulting from the recommendations is positive, with many improvement actions occurring quickly after the recommendations were reported.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Compliance with Management Commentary disclosure requirements Disclosures could be enhanced to improve compliance with Code requirements. In particular, financial key performance indicators should be included and non-financial performance reporting strengthened through the presentation of a clear suite of KPIs, including current year performance, prior year comparatives, targets, direction of travel and links to the council's strategic priorities. Climate-related reporting should also be enhanced through the inclusion of specific performance measures, targets and an assessment of progress against those targets.	The Council should enhance the Management Commentary to include a balanced suite of financial and non-financial KPIs aligned to its strategic priorities. KPI disclosures should include current year performance, prior year comparatives, targets and direction of travel to enable users to assess performance trends and outcomes. Climate-related reporting should also be expanded to include measurable targets and an assessment of progress against those targets.	Partially Accepted Consideration to be given to options to enhance disclosure requirements in relation to performance information while recognising management concerns regarding the appropriate level of information to include directly within the document (which is published elsewhere) as to not overwhelm or detract from the usability of the management commentary section within the Annual Accounts. Head of Corporate Support Responsible officer March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2. Indexation application and asset valuation records A number of issues were identified with the council's asset indexation process. Indexation was incorrectly applied to certain non-DRC assets and omitted from surplus assets, resulting in potential valuation misstatements. In addition, an error was identified in the methodology used to allocate revaluation gains/losses between the CIES and Revaluation Reserve. These issues were exacerbated by inconsistencies in the Council's valuation records, increasing the risk of inappropriate valuation treatments being applied.	Management should strengthen its annual indexation process to ensure indexation is applied consistently and in accordance with the Code and the council's agreed valuation methodology. The errors identified highlighted inconsistencies between different records used by the council to maintain valuation information. To reduce the risk going forward, it is recommended that the council maintains a single, complete, and up-to-date record of valuation information, including asset valuation methodologies, that is fully aligned to Fixed Asset Register (FAR) asset references. This should support the accurate and efficient application of indexation.	Accepted Review to take place of document control procedures to ensure consistency and accuracy of asset valuation data throughout the annual accounts process. Acting Head of Finance and Chief Financial Officer; and Head of Facilities and Property Management March 2027

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3. Significant re-profiling between the approved and revised general services capital budgets The approved general services capital expenditure budget for 2025/26 was £80.837 million. It was reprofiled at each quarter through EA Performs, resulting in a reduced revised budget of £40.415 million.	Finance should continue to engage with the Facilities Management Team to ensure the capital budgets reflect planned activity. East Ayrshire Performs reports should be enhanced to more clearly set out changes to budget phasing during the year.	Accepted Facilities and Property Management officers will consider previous year levels of capital expenditure rescheduling to inform as best possible future year Capital Programme profiling as part of the annual Asset Management Framework and Capital Investment Programme. Review will be undertaken of East Ayrshire Performs to consider options to better present capital budget phasing changes during the year. Head of Facilities and Property Management and Acting Head of Finance; and Chief Financial Officer January 2027

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
PY 1. Revaluation Reserve accounting entries 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. • Miscalculating the value of transfers from the revaluation reserve to the capital adjustment account required for gains on building asset components only.	The council should review their accounting entries in the revaluation reserve and account for land and building elements of assets separately through the reserve. 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. Responsible Officer: Asst Director of Finance Date: 31 March 2026	Ongoing In 2025/26, the council has continued to offset land and building assets against each other when calculating gains/losses to the net cost of services and the revaluation reserve. The council raised the issue with CIPFA and have concluded from this meeting that the current treatment is in line with code requirements, retaining the current practice this year. The council recognise that the accounting treatment is an outlier in comparison to other local authorities and have agreed to amend the approach going forward (no historical amendment required). In line with our prior year approach, we performed an analysis of assets where the valuation movements of land and building asset components were 'offset' against each other and recalculated the gains/losses to the RR and CIES without this offsetting, comparing the resulting values to determine the difference for each year. An analysis of the depreciation transfers from the RR to the GF was also carried out. An overall immaterial difference of £0.609 million was calculated for 2025/26. Acting Head of Finance and Chief Financial Officer. March 2027

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
PY 2. Social Care budget pressures 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. There is a risk that the services the council are commissioning from the IJB are not affordable within the service budget.	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. 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. Responsible officer: Director of Health & Social Care Date: 31 March 2026	Recommendation implemented. Outcome of impact of actions on financial pressures not yet known. In response to the IJB Direction, the council established a Task Force to implement appropriate financial recovery measures. The council in conjunction with the IJB, established a dedicated Review and Redesign Team, to drive forward demand management and service redesign across social care.

Follow-up of prior year Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
PY 3. Reporting progress of benefits achieved from transformational activities The council recognises it should improve how it reports progress on its range of transformational activities to the CMT, elected members and the public. Risk – That elected members and the public do not understand how the council plans to change, to sustain services in the future.	The council is to put in place its proposed arrangements for regular reporting of the planned and realised benefits of its transformational activities to senior management, elected members and the public. East Ayrshire Performs is to be updated to support this. Management response: A new performance reporting framework aligned to the Council's Strategic Framework will be developed in 2025/26 to provide oversight of transformational activities, benefits realisation and impact assessment. Responsible Officer: Chief Executive Action date: March 2026	Fully Implemented The council has agreed a reporting framework with a benefits management approach that will identify, monitor and track the realisation of project benefits aligned to the council's strategic priorities. Update reports have been provided to Cabinet in December 2025 and May 2026, with reporting to continue on a bi-annual basis.

PY 4. Use of equality impact assessments

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. Risk – That the council does not identify and mitigate against potentially negative impacts of its transformational activities on people with protected characteristics or affected by socio-economic disadvantage.

The council should demonstrate it is carrying out equality impact assessments where necessary in relation to its transformational activities. There should be a clear rationale for not needing a full impact assessment. The council should set out clearly how equality impact assessments influence any planned changes in how services are delivered. A similar recommendation was made in the Best Value report on Leadership and Strategic Direction, and the council is working to strengthen this important area.

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.

Responsible Officer: Chief Executive

Action date: March 2026

Fully implemented

The council has enhanced its approach to equality impact assessments through the development of an Integrated Impact Assessments toolkit. Corporate Services have provided support to teams and officers across the council to complete the Integrated Impact Assessments. Completed Integrated Impact Assessments and Integrated Impact Assessment screenings for council projects and policy changes are available on the council's website.

PY 5. Equality impact assessments

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.

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.

Updated 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.

Responsible Officer: Chief Executive

Action date: September 2026

Fully implemented

The council has enhanced its approach to equality impact assessments through the development of an Integrated Impact Assessments toolkit. Corporate Services have provided support to teams and officers across the council to complete the Integrated Impact Assessments. A training module has been developed, and Frequently Asked Questions listing is available. Completed Integrated Impact Assessments and Integrated Impact Assessment screenings for council projects and policy changes are available on the council's website.

PY 6. Reflecting workforce planning actions in service improvement plans

The council updated its service improvement plans before the Workforce Strategy Action Plan was finalised and so they do not reflect its actions. Risk – Workforce planning actions that could be taken forward by services are overlooked

The council should ensure that actions from the Workforce Strategy Action Plan are reflected in the new service improvement plans being developed in 2024.

Updated Management Response: 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.

Updated date for actioning management response: March 2026

Partially Implemented

Mid-year reviews of Service Improvement Plans were presented in August and September 2026 and contain actions clearly linked to Workforce development, succession planning and use of Apprenticeships, Graduate Interns and other trainee roles to fill skill gaps and plan for future needs.

Revised action: Further work will continue with services to ensure a consistent approach to the inclusion of workforce development and succession planning within service improvement plan reports.

Responsible officer: Head of Corporate Support and Head of People and Culture

Agreed date: March 2027

PY 7. Expanding the range of workforce planning information used to make decisions

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.

Risk – Workforce planning decisions are made based on incomplete information.

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.

Updated Management

Response: 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.

Updated date for actioning management response:

March 2026

Fully Implemented

The council has developed a workforce dashboard available to all Heads of Service and Senior Managers that provides live data on their workforce to support informed decision-making.

PY 8. 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.

Updated Management Response: 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.

Partially implemented

There are examples of digital projects undertaken that have provided workforce benefits and productivity gains, however the council has not yet outlined how it plans to use digital technology to shape its workforce.

Revised action: Through the work of the Digital Management Board and further development of both the Workforce and Digital Strategies in 2026-27, Finance and Digital and People and Culture colleagues will support services to determine the future workforce needs of the Council and the digital opportunities available to direct, develop and support them.

Responsible officer: Head of ICT and Digital and Head of People and Culture

Agreed date: 2027

PY 9. Measuring the impact of changes to working arrangements on staff

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. Risk – Benefits from changes to working arrangements of staff are not optimised.

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.

Updated Management

Response: 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.

Updated date for actioning management response:
March 2026

Partially implemented

A desktop review of the different working arrangements in relation to hybrid working is underway.

Revised action: Following the outcome of the desktop review of working arrangements and a further workforce survey planned prior to the end of 2026, an updated position will be established, and consideration will be given to the benefits of various options as determined.

Responsible officer: Head of People and Culture

Agreed date: March 2026

PY 10. Capturing the learning from shared roles and functions

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.

Risk – Learning from sharing roles and functions will not be applied when developing similar arrangements in the future.

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.

Updated Management Response: 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.

Updated date for actioning management response:
March 2026

Fully Implemented

Learning from the council's Ayrshire Road's Alliance shared function was captured within the service's ten-year review, which has been used to develop the new Economic Development Service shared with North Ayrshire Council. The use of flexible roles continues to be considered within service reviews and utilised where appropriate.

PY 11. Monitoring the impact of workforce planning

The council is working to develop more measures to capture the effectiveness of its workforce planning.

Risk – The council does not know whether its workforce planning approach is making a difference.

The council should consider using tools developed by the Improvement Service help measure impact and identify workforce planning improvements.

Updated management response: 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.

Updated date for actioning management response:
March 2026

Fully Implemented

The council has developed and improved the measures used to monitor progress on the effectiveness of its workforce strategy. Improvement Service tools are being used in developing the next iteration of the Workforce Strategy covering 2027-32.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/27: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026
Transforming the approach to climate change: Lessons from public audit	19 March 2026

East Ayrshire Council

2025/26 Annual Audit Report



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