ACCOUNTS COMMISSION

469th meeting of the Accounts Commission for Scotland

Thursday 11 June 2020, 10.15am
& Thursday 18 June 2020, 10.15am
by video conference

NB: This meeting will take place over two separate days
(* These items will be considered on 18 June)

Agenda

1. **Apologies for absence.**

2. **Declarations of interest.**

3. **Decisions on taking business in private:** The Commission will consider whether to take items 11 to 17 in private (** see note).

4. **Minutes of meeting of 21 May 2020.**

5. **Audit Scotland Board update.** The Commission will consider a report by the Secretary to the Commission.

6. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit.

7. **Best Value Assurance Report: North Ayrshire Council:** The Commission will consider a report by the Controller of Audit.

8. *** Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.

9. *** Work programme update:** The Commission will consider a report by the Director of Performance Audit and Best Value.

10. *** Draft annual report 2019/20:** The Commission will consider a report by the Secretary to the Commission.

The following items are proposed to be considered in private:

11. **Best Value Assurance Report: North Ayrshire Council.** The Commission will consider what action to take on the report.

12. **New audit appointments and Code of Audit Practice: update:** The Commission will consider a report by the Deputy Chair of the Commission.

13. **Commission strategy:** The Commission will consider a report by the Secretary to the Commission.

14. **Planning Commission business:** The Commission will consider a report by the Secretary to the Commission.

15. *** National Fraud Initiative – draft Audit Scotland report:** The Commission will consider a report by the Director of Audit Services.

16. *** Performance audit: Digital progress in local government – emerging messages:** The Commission will consider a report by the Director of Performance Audit and Best Value.

17. **Commission business matters:** The Commission will discuss matters of interest.

** It is proposed that items 11 to 17 be considered in private because:

- Item 11 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the appropriate council of its decisions, which the Commission does before making the decision public.
- Items 12 to 14 require the Commission to consider confidential commercial and contractual matters.
- Item 15 proposes a draft report which the Commission is to consider in private before it is published.
- Item 16 discuss the emerging messages from a performance audit report which may require consideration of confidential policy matters in advance of further audit work and subsequent publication.
- Item 17 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda item	Paper number
Agenda item 4: Minutes of meeting of 21 May 2020	AC.2020.6.1
Agenda item 5: Report by Secretary to the Commission	AC.2020.6.2
Agenda item 7: Report by Controller of Audit	AC.2020.6.3
Agenda item 8: Report by Secretary to the Commission	AC.2020.6.4
Agenda item 9: Report by Director of Performance Audit and Best Value	AC.2020.6.5
Agenda item 10: Report by Secretary to the Commission	AC.2020.6.6
Agenda item 12: Report by Deputy Chair	AC.2020.6.7
Agenda item 13: Report by Secretary to the Commission	AC.2020.6.8
Agenda item 14: Report by Secretary to the Commission	AC.2020.6.9
Agenda item 15: Report by Director of Audit Services	AC.2020.6.10
Agenda item 16: Report by Director of Performance Audit and Best Value	AC.2020.6.11

ACCOUNTS COMMISSION

AGENDA ITEM 4
Paper: AC.2020.6.1

MEETING: 11 JUNE 2020

MINUTES OF PREVIOUS MEETING

Minutes of the 468th meeting of the Accounts Commission held via online meeting on Thursday 21 May 2020, at 10.15am.

PRESENT: Graham Sharp
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Tim McKay
Stephen Moore
Elma Murray
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA) (Item 7)
Antony Clark, Audit Director, PABV (Item 6)
Mark McCabe, Audit Manager, PABV (Item 6)
John Gilchrist, Manager, AQA (Item 7)
Owen Smith, Senior Manager, AQA (Item 7)
Rikki Young, Business Manager, PABV (Item 6)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 7 May 2020
5. Update report by the Secretary to the Commission
6. Performance audit: draft impact report – Equal pay in Scottish councils (in private)
7. Quality of public audit in Scotland: draft report (in private)
8. New audit appointments and Code of Audit Practice – update (in private)
9. Commission business matters (in private)

1. Apologies for absence

It was noted that no apologies for absence had been received.

2. Declarations of interest

The following declarations of interest were made:

- Elma Murray, in item 6, as a former senior officer of Glasgow City Council and Chief Executive of North Ayrshire Council. She played no part in consideration of the content of the draft report.
- Geraldine Wooley, in item 5, being a member of the Fife Valuation Appeals Committee, in relation to references to non-domestic rates.

3. Decisions on taking business in private

It was agreed that items 6 to 9 be considered in private because:

- Item 6 proposes a draft report, which the Commission is to consider in private before publishing.
- Item 7 proposes a draft report, which the Commission is to consider in private before subsequent consideration by Audit Scotland Board and publishing thereafter.
- Item 8 requires the Commission to consider confidential commercial and contractual matters.
- Item 9 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

No business was notified by members for item 9 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 7 May 2020

The minutes of the meeting of 7 May 2020 were approved as a correct record.

Arising therefrom, the Commission noted advice from the Controller of Audit that draft Scottish Government guidance on the annual audit of local government bodies in the light of the Covid-19 emergency had recently been received, upon which he would report further to the Commission.

Action: Controller of Audit

5. Update report by the Secretary to the Commission

The Commission considered a report by the Secretary providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

The Commission noted advice from the Secretary that, in line with the approach agreed with Commission members as part of new business arrangements in the light of the Covid-19 emergency, members had provided queries on his report in advance of the meeting, a response to which he would circulate to members. The Commission in particular:

- In relation to paragraphs 18 and 81, noted advice from the Secretary on the

use of furlough by councils in England, and advice from the Controller that he would consider how to keep the Commission updated on the impact in this regard in Scotland (queries raised by Andrew Cowie and Sophie Flemig).

Action: Controller of Audit

- In relation to paragraphs 30, 42, 60, 68 and 69, noted advice from the Secretary and the Controller of Audit that the Commission would be kept apprised at future meetings on local government funding matters in relation to Covid-19, including: individual council approaches; the impact on integration joint boards; the flow of Covid-19 related funding through local government; and the Scottish Parliament Local Government and Communities Committee's scrutiny of the Scottish Government in relation to Covid-19 and local government (Sheila Gunn, Christine Lester, Pauline Weetman and Geraldine Wooley).

  Action: Secretary and Controller of Audit

- In relation to paragraph 59, noted advice from the Secretary that the Commission would be considering the Best Value Assurance Report on North Ayrshire Council at its meeting on 11 June. (Sophie Flemig).

The Commission agreed to note the report.

6. Performance audit: draft impact report – Equal pay in Scottish councils (in private)

The Commission considered a report by the Director of PABV seeking approval of the draft impact report for the performance audit *Equal pay in Scottish councils* (published in September 2017), and of proposed arrangements for publishing and promoting the report.

Following discussion, the Commission:

- To approve the draft report.
- To approve the arrangements for publishing and promoting the report, to reflect stakeholders' readiness to receive and digest such messages amidst the current Covid-19 emergency, to be finalised in conjunction with the Chair, Deputy Chair and the sponsors of the audit report, Sheila Gunn and Pauline Weetman.

Actions: Secretary

7. Quality of public audit in Scotland: draft report (in private)

The Commission considered a report by the Associate Director, Quality Audit and Appointments (AQA) proposing the draft *Quality of public audit in Scotland annual report 2019/20*.

Following discussion, the Commission agreed:

- That it has positive assurance about the quality of audit work in 2019/20, as reported in quality assurance and reporting processes.
- That this assurance be reported in the Commission's annual report 2019/20.

Action: Secretary

- Noted advice from the Associate Director that she had shared with members the draft Audit Scotland transparency report 2019.
- Noted advice from the Associate Director, in relation to auditor and staff

feedback in audit providers, that she would be exploring with audit providers matters around good practice, upon which she would report back.

Action: Associate Director, AQA

- Noted advice from the Associate Director that she would report to the Commission, through its committees at their scheduled November meetings, on ongoing discussions with audit providers on improvement areas identified in the report.

Action: Associate Director, AQA

- Agreed to give further thought to how the Commission may wish to liaise with audit providers on such improvement areas.

Action: Secretary and Associate Director, AQA

- Noted advice from the Associate Director on ongoing discussions with audit providers on matters arising from auditor and staff feedback, as set out in the report.

- That the Associate Director consider how future such reports provide more material on qualitative information, including the reporting of matters associated with 'auditor insight' in annual audit reports.

Action: Associate Director, AQA

- That the Associate Director report further on audited body survey results.

Action: Associate Director, AQA

- That further information be provided on the Commission's policy on non-audit services.

Action: Secretary

- Agreed that any further comments be provided to the Associate Director at the earliest opportunity.

Following discussion, the Commission agreed to endorse *Quality of public audit in Scotland annual report 2019/20*, subject to the Associate Director, AQA considering points raised in discussion.

Action: Associate Director, AQA

8. New audit appointments and Code of Audit Practice (in private)

The Commission considered a verbal report by the Deputy Chair providing an update on progress made with audit appointments and the new Code of Audit Practice.

Following discussion, the Commission noted that a full report on progress would be considered at its next meeting.

9. Commission business matters

The Chair, having advised that there was no business for this item, closed the meeting.

ACCOUNTS COMMISSION

AGENDA ITEM 5
Paper: AC.2020.6.2

MEETING: 11 JUNE 2020

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to "provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions".[1]

3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.[2] These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.[3]

4. As well as being a member of Audit Scotland's Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.

5. In *Public Audit in Scotland*[4], the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that "by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies."

6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meetings of 29 January 2020, 24 March 2020 and 13 May 2020. They are attached in Appendix 1.

8. The most recent meeting of the Board was on 1 June 2020, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 30 September and considered by the Commission at its October meeting.

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[1] Public Finance and Accountability (Scotland) Act 2000, Section 10(3).
[2] Public Finance and Accountability (Scotland) Act 2000, Section 10(2).
[3] The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland's proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor's report before the Parliament; and (d) appoint three of the five members of Audit Scotland's Board, including its Chair.
[4] *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
3 June 2020

APPENDIX 1

Minutes

Wednesday 29 January 2020, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

Ian Leitch (Chair)
Caroline Gardner
Heather Logan
Alan Alexander
Graham Sharp

Apologies:

None

In attendance:

Diane McGiffen, Chief Operating Officer
Gayle Fitzpatrick, Corporate Governance Manager
Mark Roberts, Audit Director, Performance Audit and Best Value
Simon Ebbett, Communications Manager
David Blattman, HR & OD Manager
Antony Clark, Audit Director, Performance Audit and Best Value
Robert Leask, Project Manager, New Audit Appointments

1. Welcome and apologies

The Chair welcomed members to the public meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 27 January 2020.

The Chair welcomed Accounts Commission members Pauline Weetman and Geraldine Woolley as observers to the meeting as part of the Board's commitment to strengthening engagement with Accounts Commission members.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The Board agreed the items 17, 18 and 19 to be taken in private, as set out on the agenda.

4. Chair's report – verbal update

The Chair provided a verbal update of meetings with Diane McGiffen, Chief Operating Officer, advised of engagement with Parliamentary officials on the recruitment campaign for two non-executive members of the Audit Scotland Board and informed members that the Spring Budget Revision and 2020/21 Budget Submission had been considered at the session with the Scottish Commission for Public Audit on Wednesday 15 January 2020.

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Caroline Gardner advised that, since the previous meeting of the Board, the post-election period had been busy with a number of reports being published, including Bord na Galigh, Disclosure Scotland and two joint reports with the Accounts Commission on City Deals and Revenue Funding of Assets. Caroline advised that there had been a good level of media interest in the reporting and the teams were now working to bring briefings to the Public Audit and Post Legislative Scrutiny Committee through to the end of April 2020.

Caroline invited members to note that the date for the Scottish Budget had been confirmed as 6 February 2020. She advised that the Scottish Commission for Public Audit have recommended Audit Scotland's Spring Budget Revision, which relates to non cash charges for pension provisions, to the Finance Committee and that we await information on Audit Scotland 2020/21 Budget submission.

Caroline highlighted the Brydon Review report which was published at the end of 2019 and advised members that a briefing to the Board would be scheduled in March or May 2020. She also highlighted the good results reported in the Best Companies survey results 2019 report at Item 10 of today's agenda as well as excellent results from the ICAS trainees.

Caroline advised members that her first meeting of the board of the International Federation of Accountants was scheduled at the end of February 2020.

The members welcomed the update, acknowledging the media coverage and the quality of the reports published and recorded their congratulations to the trainees for their ICAS examination passes.

6. Accounts Commission Chair's report – verbal update

Graham Sharp advised the Board that the Accounts Commission had met on 12 December 2019 and considered the approach to developing Best Value for joint boards through consultation. At the meeting of the Accounts Commission on 9 January 2020, members had a presentation from the Improvement Service.

Graham also advised of a busy reporting period, including the joint reports referenced by the Auditor General for Scotland, invited members to note his attendance at the Local Government and Communities Committee on 8 January 2020 and ongoing engagement with SOLACE and the Scottish Government.

Turning to the next meeting of the Accounts Commission, Graham advised members that they will be considering the Best Value report for Highland Council as well as the first Section 102 report for an integrated joint board.

Heather Logan asked whether the Commission anticipated more Section 102 reports for integrated joint boards and the impact this will have on resource demands. Graham advised that this report specifically relates to the financial sustainability and requirements would be kept under review by the Controller of Audit.

7. Review of minutes: Board meeting 27 November 2019

The Board considered the minutes of the meeting of 27 November 2019, which had been previously circulated and agreed that these were an accurate record of the meeting, with the addition of the word 'performance' in the seventh paragraph at item 11, 2019/20 Q2 Corporate performance report.

The Chair agreed that further discussion on governance arrangements and New Audit Appointments would take place in the private session.

8. Review of action tracker

The Board noted the updates provided on the action tracker and agreed that Action ASB97 could now be closed.

9. EU Withdrawal update

Mark Roberts, Audit Director, Performance Audit and Best Value and Simon Ebbett, Communications Manager, joined the meeting.

Mark Roberts, Audit Director, Performance Audit and Best Value introduced the EU Withdrawal update report, a copy of which had been previously circulated.

Mark Roberts invited the Board to note the update provided ahead of UK leaving the EU on 31 January 2020 when it will enter into the transition period until 31 December 2020.

The Chair welcomed the report which focussed on both Audit Scotland's preparedness as well as audited bodies.

Heather Logan asked about the timing of performance audit work and issues for the EAFA audit support. Mark Roberts advised that timing of performance audit work would be considered as part of the refresh of the work programme. Mark Roberts advised that the current arrangements for EAFA will continue while Audit Scotland engages on the longer term needs.

Diane McGiffen advised the Board that Audit Scotland operates on behalf of the National Audit Office to provide assurance on EAFA and there was dialogue in several places about the future of the work. Diane McGiffen advised the Board that Audit Services colleagues were ensuring the skills and deployment of the permanent EAFA team were developed and enhanced during this period.

Alan Alexander welcomed the report, highlighting the importance in Audit Scotland capturing the big picture effects of withdrawal from the EU and agreed with the proposed to bring regular updates as we approach exit on 31 December 2020.

Simon Ebbett, Communications Manager, highlighted the usefulness of the checklist for EU exit planning and for other business continuity risks.

Following discussion, the Board welcomed the report.

Mark Roberts, Audit Director, Performance Audit and Best Value and Simon Ebbett, Communications Manager, left the meeting.

10. Best Companies survey results 2019

David Blattman, HR & OD Manager, joined the meeting.

Diane McGiffen introduced the Best Companies survey results 2019 report, a copy of which had been previously circulated.

Diane invited the Board to consider and comment on the strong results from the Best Companies survey, which reported the best ever scores in terms of engagement received in the past 10 years despite experiencing some resource and external pressures during the year.

Diane McGiffen invited the Board to note that Jonathan Austin of Best Companies had led a session with Audit Scotland's Leadership Group on 28 January 2020 to share further insights to the results. She highlighted the work at team level which David Blattman and his team were taking forward to explore the results further.

The Chair welcomed the excellent results.

Heather Logan asked how Audit Scotland compares with competitors. Diane McGiffen advised that some audit firms and regulators take part in the survey but this is not a direct comparison.

David Blattman, HR & OD Manager, highlighted the benefits of being able to demonstrate strong results to recruit and retain good people into the organisation and the focus on teams would ensure that everyone has a consistent experience. David advised that retention figures are good. Heather Logan suggested it would be helpful to have a wider discussion and Diane

McGiffen advised these results will inform the workforce planning report which comes to the Remuneration and Human Resources Committee meeting each year.

Graham Sharp and Alan Alexander welcomed the report, recognising the importance of staff wellbeing and the results over time. The Board noted Audit Scotland's response to ensuring a consistent experience for colleagues through the team focus.

Diane McGiffen advised that resourcing pressures had been one of the factors affecting wellbeing at certain times during the past year, and that regular engagement and communication with colleagues across teams have led to better resource planning for 2020. In addition, the teams will be looking at the quality and skills of temporary staff, and the volume and range of reporting for the Auditor General for Scotland and Accounts Commission.

Diane McGiffen invited members to note the organisation continues to offer a number of initiatives to support colleagues' wellbeing, through annual wellness checks, walking groups and mindfulness sessions and highlighted that the overall score for wellbeing amongst colleagues at Audit Scotland, although it has fallen, remains higher than for one star organisations.

The Board welcomed the report.

David Blattman, HR & OD Manager, left the meeting.

11. ONS reclassification of Audit Scotland

Gayle Fitzpatrick, Corporate Governance Manager, introduced the ONS reclassification of Audit Scotland report, which had been previously circulated.

Gayle Fitzpatrick invited the Board to note the reclassification of Audit Scotland as a central government body in the ONS public sector classification guide.

Diane McGiffen explained that the ONS review the classifications periodically and advised that Martin Walker had liaised with them regularly to seek assurance that there would be no adverse consequences for Audit Scotland. Diane advised that the other UK audit agencies were classified in the same way and there had been no impact of their ability to perform their duty.

The Board noted the ONS classification stemmed from Eurostat.

Graham Sharp also noted his discomfort as the Accounts Commission is also classified as a central government body.

The Chair noted that while Audit Scotland has no locus to change the outcome, the classification called into question Audit Scotland's independence and agreed to write to the ONS highlighting the Boards' concerns and to seek assurance.

Following discussion, the Board welcomed the report.

Action ASB101: Diane McGiffen to draft a letter to ONS on behalf of the Chair of the Board. (February 2020)

12. Audit Committee Terms of Reference

Gayle Fitzpatrick introduced the Audit Committee Terms of Reference report, a copy of which had been previously circulated.

Gayle Fitzpatrick invited the Board is consider and approve the updated Terms of Reference as recommended by the Audit Committee.

Following discussion, the Board approved the Audit Committee Terms of Reference.

Action ASB102: Gayle Fitzpatrick to publish the approved Terms of Reference for the Audit Committee. (February 2020)

13. Transition planning for Auditor General and Board appointments

Diane McGiffen introduced the Transition planning for Auditor General and Board appointments report, a copy of which had been previously circulated.

Diane McGiffen invited the Board to consider the timetable for the recruitment and appointment of the next Auditor General for Scotland and the transition planning for this role together with the recent and future changes in membership to the Audit Scotland Board.

Diane invited members to note the link to the recent Best Companies report which reflected on the continued improvement of the leadership of Audit Scotland during Caroline Gardner's term of office and the importance of detailed planning to the end of June 2020 including the induction of a new Auditor General and new Chair and advised a further update would come to the Remuneration and Human Resources Committee meeting on 25 March 2020.

The Chair welcomed the preparedness ahead of his term coming to an end on 31 March, Heather Logan's term ending on 30 September 2020 and advised of engagement with Parliament on recruitment and induction and future planning of appointments.

The Board welcomed the report and the planning underway.

Action ASB103: Diane McGiffen to bring an update to the Remuneration and Human Resources Committee. (March 2020)

14. Any other business

There was no further business.

15. Review of meeting

The members welcomed the overall quality of the reports which had supported good discussion and the Chair thanked everyone for their contributions.

16. Date of next meeting: 25 March 2020

The members noted the date of the next meeting of the Audit Scotland Board scheduled for 25 March 2020 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

17. Communications and engagement strategy 2020-23

Simon Ebbett, Communications Manager, re-joined the meeting.

Simon Ebbett introduced the Communications and engagement strategy 2020-23, a copy of which had been previously circulated.

Simon invited the Board to consider and approve Audit Scotland's communication and engagement strategy 2020-23.

The Board considered the draft communications and engagement strategy to support the work of the Auditor General for Scotland and the Accounts Commission in an increasingly changing environment. The Board welcomed the use of plain language, early engagement of the Communications team in audit work given the public interest and the proposal to continue to share briefings which provide information on the issues and implications that decisions have on public services and which are related to Audit Scotland's work. The Board agreed they would also like to see more commentary on the effectiveness and impact of communications in future years.

Simon Ebbett advised that with earlier engagement of the Communications team and the expectations and stretch envisaged, he is considering the skills across the team and processes in place in order to balance demands while ensuring consistency and impact of reporting.

Following discussion, the Board approved the Communications and engagement strategy 2020-23.

Action ASB104: Simon Ebbett to publish the approved Communications and Engagement Strategy 2020-23. (February 2020)

18. Stakeholder engagement and feedback

Antony Clark, Audit Director, Performance Audit and Best Value, joined the meeting.

Simon Ebbett introduced the Stakeholder engagement and feedback report, a copy of which had been previously circulated.

Simon Ebbett advised the Board that Robert Cumming had shared the presentation with Management Team on 17 December 2019 and highlighted that small differences were likely due to one person and an increase in neutrals responding.

The Board considered the information presented in the scatter diagram and took comfort from the position which has been maintained from last year.

Antony Clark, Audit Director, Performance Audit and Best Value, advised of the categories of respondents from MSPs, committee members and researchers and the timing of reporting which could have had an impact on responses.

Graham Sharp advised he would be interested to see feedback from those related to the Local Government and Communities Committee and Antony Clark advised this was positive.

Following discussion, the Board welcomed the report.

Action ASB105: Antony Clark and Simon Ebbett to share the feedback from Local Government and Communities Committee, if any, respondents with the Chair of the Accounts Commission. (February 2020)

Simon Ebbett, Communications Manager and Antony Clark, Audit Director, Performance Audit and Best Value, left the meeting.

19. New audit appointments update

Robert Leask, Project Manager, New Audit Appointments, joined the meeting.

There was discussion of the Board's practice of minuting private items and the subsequent publication of the minute. The Chair made it clear that the entire minute of any meeting would continue to be approved in public. Heather Logan commented that members all had the opportunity to comment on draft minutes before publication and to raise any concerns.

Alan Alexander, Chair of the Steering Group, introduced the New audit appointments update report, which had been previously circulated.

Alan Alexander invited members to note the possible risks to the project timetable and the areas for consideration following the market engagement exercise.

Robert Leask, Project Manager, New Audit Appointments, advised the Board of a number of risks identified following the market engagement exercise and the Board noted these and the commercial sensitivity of some of the risks.

The Board noted that the market had changed significantly since the previous procurement exercise. Robert Leask advised the Board that the procurement strategy team are considering options to

mitigate the risks and these would be considered further by the Steering Group at its next meeting and by the Board on 25 March 2020.

The Chair welcomed the update and assurance that the project team were considering the mitigation of the risks identified.

Alan Alexander advised that the Code of Audit Practice would remain on track for consultation if the draft Code is approved by the Auditor General for Scotland, and by the Accounts Commission on 6 February 2020.

Diane McGiffen advised that the consultation draft of the Code of Audit Practice was being finalised. Caroline Gardner expressed her gratitude to the project team for their work given the receipt of a recent resignation from the team. Caroline advised that as Accountable Officer she took her duty of care for colleagues seriously and in light of a number of difficult interactions with the Commission would welcome the Chair and Deputy Chair presenting the final draft Code of Audit Practice at the meeting of the Commission on 6 February 2020.

Alan Alexander advised that the Chair and Deputy Chair of the Accounts Commission would commend the draft Code of Audit Practice to Commission members at its meeting on 6 February 2020. Alan invited to the Board to consider options if the Code was not approved. The Chair advised in the event of such an occurrence he would convene a special Board meeting to consider next steps.

Alan Alexander provided an update on issues raised in the minute of the Board meeting on 27 November 2019 on corporate governance. He advised that a draft of the Code had been amended from the version agreed at the Steering Group meeting and then presented to the Accounts Commission. The changes had not reflected the views of the Steering Group. He advised that although there had been discussions about whether there was a written agreement on changing reports that was not the primary issue as sound corporate governance required respect for the work of report authors.

The Chair reiterated his view that it was unacceptable and unprofessional for the draft Code to be changed without prior consultation with the authors. Further, the Chair asked directly who had made the changes and why.

Graham Sharp acknowledged responsibility for changing the draft Code to aid debate and discussion around the audit dimensions and BV with Members who had not been involved in the detailed discussions that had led to the current draft document. He acknowledged the document was amended without effective consultation with the authors. He accepted that this should not have happened and he would work with the Steering Group to ensure it would not happen again. Graham agreed to reflect with those involved on the circumstances and whether or not further apologies should be issued.

Caroline Gardner advised that the changes made to the document had not been highlighted or discussed with her as Auditor General for Scotland and that the Vice Chair of the project group had only learned of the changes on arrival to present the report to the meeting of the Accounts Commission.

Following discussion, the Board noted that the Chair of the Accounts Commission will present and commend the draft Code of Audit Practice report to the Commission at its meeting on 6 February 2020.

Minutes

Tuesday 24 March 2020, 10.15am

Audit Scotland via teleconference

Present:

Ian Leitch (Chair)
Caroline Gardner
Graham Sharp
Heather Logan
Alan Alexander

Apologies:

None

In attendance:

Diane McGiffen, Chief Operating Officer
Stephen Boyle, Audit Director
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Gayle Fitzpatrick, Corporate Governance Manager

1. Welcome and apologies

The Chair welcomed members and attendees to the meeting of the Audit Scotland Board which was being held by teleconference because of the COVID-19 pandemic. He advised that the agenda had been adapted to focus discussion on key items of business, and other papers for information had also been circulated to members.

The Chair welcomed Stephen Boyle, Auditor General for Scotland designate to the meeting and congratulated him on his nomination. Stephen Boyle expressed his thanks to the Chair and welcomed the opportunity to join the Board meeting. Stephen thanked the Management Team and the Board for the support to him thus far and advised that transition planning and engagement with stakeholders was currently under review given the COVID-19 restrictions.

Diane McGiffen advised the Board that induction arrangements for both Stephen Boyle and Alan Alexander as the new Chair of the Board would be delivered online in the coming weeks.

2. Declarations of interest

There were no declarations of interest.

3. Governance arrangements

Martin Walker, Associate Director, Corporate Performance and Risk, joined the meeting.

Martin Walker introduced the Governance arrangements report, copies of which had been previously circulated.

Martin invited the Board to consider and approve the proposals to amend the standing orders because of disruption arising from the COViD-19 pandemic, including the suspension of public Board meetings. He advised that the changes would help maintain business continuity and good governance while allowing business to progress. The proposed variations to the Standing Orders were the temporary suspension of, meeting in public, the publication of papers on the website in advance of meetings, the requirement for papers to be issued five days in advance of meetings, where more timely updates are more helpful.

It was noted that Board minutes and papers would continue to be published on the website.

The Board welcomed the report and approved the variations to the Standing Orders which would be kept under review at each meeting of the Board until further notice.

Action ASB##: The Standing Orders to be reviewed at each meeting. (May 2020)

4. COVID-19 – verbal update

Diane McGiffen advised the Board that Audit Scotland had moved into Incident Management Team (IMT) mode on Monday 16 March with the primary focus being the safety of colleagues. The IMT implemented the call tree and colleagues were supported and enabled to work from home with effect from Tuesday 17 March. All Audit Scotland offices were closed from Thursday 19 March 2020. There were very few colleagues in offices on Tuesday to Thursday 17 – 19 March, and most were simply collecting equipment.

The Board welcomed the swift implementation of business continuity plans and the benefit of investment in a digital infrastructure that can enable colleagues to work from home. The Board also welcomed the primary focus on safety and supporting colleagues to make the transition to remote working. It was noted that many colleagues were now juggling work and caring responsibilities at home. The Board noted that six colleagues had reported COVID symptoms to date and wished those colleagues a speedy recovery.

Diane also advised the Board of engagement with key stakeholders and audit engagement leads and highlighted Caroline Gardner's attendance at the Public Audit and Post Legislation Scrutiny committee session on 19 March 2020 to discuss the impact of COVID-19 on the public sector and on audit.

Heather Logan asked for an update on the position for audited bodies and their staff. Caroline Gardner advised that all non-essential workers should be working from home, but that will vary across sectors and services. Caroline advised that in some sectors bodies were keen to keep to scheduled financial reporting deadlines, while others were dealing with more pressing issues. The Board noted that there would be no blanket announcement around expectations of audit work but that engagement leads were sharing information which will assist in planning audit work.

The Board welcomed the pragmatic and flexible approach being adopted, noting it was too early at this stage to assess the full impact on financial reporting timescales and audits.

Heather Logan asked about the financial implications for Audit Scotland. Diane McGiffen confirmed that Stuart Dennis is monitoring the budget outturn for the current year, which will be close to budget. She advised that the forecast before COVID-19 was for a £200k underspend, however with a combination of lower work in progress levels, untaken leave etc it was now looking much tighter. The Board noted that the Finance team had moved into business continuity mode implementing arrangements for the comptroller function, approving budget requests, liaising with suppliers and finalising payroll.

Graham Sharp advised that he would receive an update in relation to Local Government from Fraser McKinlay, Controller of Audit on Wednesday 25 March and anticipated that some councils will be in a position to proceed with the financial statements and audit, while others may not.

The Chair welcomed the update and acknowledged that Caroline Gardner and Diane McGiffen were very alert to the issues impacting audited bodies and Audit Scotland.

The Board agreed and Alan Alexander expressed his appreciation for the IMT daily communications with colleagues to maintain morale and support for colleagues.

5. 2020/21 Operational budget

The Chair invited members to consider and approve the 2020/21 Operational budget, copies of which had been previously circulated.

Heather Logan and Alan Alexander asked about the resilience of budget assumptions and the impact on Audit Scotland of issues with audited bodies' resilience. Diane advised that in normal circumstances Audit Scotland's budget is managed very well with a small contingency, which may not be sufficient for the uncertainties in the coming year. She advised that financial resilience will be considered as part of scenario planning and that the extent to which COVID-19 may reshape the work of Audit Scotland, including the additional money which will need to be audited.

Caroline Gardner advised this is not only about delivering financial, best value and performance audits but also about how we may use our expertise in audited bodies to provide monitoring, sharing good practice and intelligence.

Following discussion, the Board approved Audit Scotland's revised budget for 2020/21, in the knowledge that this may be subject to further change based on 2020/21 pay award decisions and the impact of COVID-19.

6. Procurement strategy

Alan Alexander introduced the Procurement strategy report, copies of which had been previously circulated.

Alan Alexander invited the Board to consider and approve the proposed strategy, while noting that the Board may need to revisit the audit appointments process in light of the COVID-19 pandemic and further discussions at the New Audit Appointments Steering Group.

Alan invited members to note that the market intelligence gathered by Audit Scotland mirrors the report published on 4 March 2020 by Public Sector Audit Appointments. He advised that the Steering Group will consider the options available to Audit Scotland and come back to the Board at its next meeting.

The Board reflected on the disruption caused by the pandemic, the need for flexibility in approach given the uncertain times and agreed further consideration was required of the risks around proceeding or delaying the audit procurement exercise, and the contract option of extending current audit appointments for a period of time.

Following discussion, the Board approved the procurement strategy and agreed to consider the proposed timescales for the appointments process at its next meeting.

Action ASB106: The Board will consider proposed timescales for the audit appointments process at its next meeting. (May 2020)

7. Data protection policy

Martin Walker introduced the Data protection policy report, copies of which had been previously circulated.

The Chair invited members to consider and approve the proposed amendments to the Data Protection policy.

Subject to a minor correction, the Board approved the policy.

8. Chair's report – verbal update

The Chair provided a verbal update of discussions with Alan Alexander and the Scottish Commission for Public Audit and meeting with the AGS designate, Stephen Boyle.

The Board welcomed the update.

9. Accountable Officer's report – verbal update

Caroline Gardner advised members there was no additional update to what had been discussed earlier in the meeting other than to express her appreciation to Audit Scotland colleagues for their flexibility during the past week.

The Board echoed its appreciation to colleagues and asked that its thanks be shared with Audit Scotland colleagues.

The Board welcomed the update.

10. Accounts Commission Chair's report – verbal update

Graham Sharp invited the Board to note that the Accounts Commission meeting on 12 April 2020 had been cancelled as a result of COVID-19.

He advised that the Commission were seeking to proceed with the publication of completed reports. The Commission were liaising with respective Councils on reports scheduled but anticipated the volume of work would reduce and that the Commission would need to consider how they operate.

Following discussion, the Board welcomed the update.

11. Review of minutes: Board meeting 29 January 2020

The Board considered the minutes of the meeting of 29 January 2020, which had been previously circulated.

The Chair referred to the draft minutes he had circulated by separate email and invited members to consider the changes incorporated following discussions between members of the Board. The Chair sought members approval that these were an accurate record of the meeting.

Graham Sharp advised he wished to highlight his concerns about the way the draft minute had been presented and the future minuting of private Board sessions.

In this context Graham advised that he did not consider that reporting in the manner drafted fully reflected the issues. He advised that this should be noted for the public record.

Graham Sharp advised that he did not consider that the current approach to minuting discussions on items not considered in public was good practice and proposed that the Board should not have any private sessions as part of its meetings, to provide greater transparency.

The Chair reiterated his view that openness and transparency in the conduct of Board business was essential. Only in limited circumstances are items considered in private. Where this occurs, the Chair was firmly of the view that the minute produced should be as detailed as the item under consideration permits.

The Chair advised that, in his opinion, the minute as tabled was accurate and invited members' agreement.

Alan Alexander advised he was content with the minute as circulated and the matter of how and what is minuted should be considered as part of a review of the Standing Orders later in the year. Caroline Gardner agreed the draft minute circulated was an accurate representation of the Board meeting and advised that the most pressing issue to be resolved concerned the underlying roles, relationships and trust between members of the Steering Group, the Audit Scotland Board and the Accounts Commission.

Heather Logan expressed the view that, while the minute, as drafted, was an accurate record of the discussion that took place in the private session, she agreed with Graham Sharp that the minute was far too detailed and had expected more privacy regarding items that had been deemed to be private before the meeting actually took place.

The draft minute of the meeting was approved by a majority. It was noted that this had been a difficult set of circumstances for all involved.

The Board agreed to schedule a further discussion on how discussions on items not taken in private are recorded as part of general review of the standing orders.

Action ASB107: A review of the Board's Standing Orders to be scheduled including the recording of discussion on items not taken in public. (Scoping of the review May 2020)

12. 2019/20 Q3 Performance report

Martin Walker introduced the 2019/20 Q3 Performance report, copies of which had been previously circulated.

The Board was invited to review the quarter three performance report and to consider whether any additional management action is required.

Alan Alexander sought clarification on whether the staffing levels at 101.2% of establishment were within normal tolerance and whether there were any budget implications. Diane McGiffen advised that the organisation has worked to bring establishment up in recent years and confirmed that this was within tolerance taken alongside the vacancy factor and turnover.

Alan Alexander noted the cost per audit day reported is more consistent for Audit Services than Performance Audit and Best Value. Diane McGiffen advised this relates to the nature and timing of some areas of performance audit work and agreed to circulate additional information.

Following discussion, the Board welcomed the report.

Action ASB108: Additional information on the composition of the cost per audit day in PABV to be circulated. (May 2020)

13. 2019/20 Q3 Strategic improvement programme update

Martin Walker introduced the 2019/20 Q3 Strategic improvement programme update report, copies of which had been previously circulated.

Heather Logan asked whether COVID-19 would impact Audit Services moving onto the new time recording system. Diane McGiffen advised that it was too early to predict the full impact of the disruption on core audit work and on the improvement programme and that a further report would come to the Board in early course.

Following discussion, the Board noted the performance reported.

Action ASB109: Update report on disruption, business continuity and mitigation actions. (May 2020)

14. Any other business

Acknowledging that this was Ian Leitch's final meeting as Chair, Alan Alexander invited the Board to thank Ian for his contribution to Public Audit in Scotland over the last six years, highlighting his rigour, attention to detail and commitment and stated it had been a great privilege to work with him. He extended an invitation to the Chair to lunch to celebrate his contribution in due course when COVID restrictions were eased.

The Chair reflected on his time with Audit Scotland which he felt had passed quickly and ending 31 March 2020. He welcomed the support of members in agreeing that Board meetings be opened to the public with papers published in advance. The Chair thanked his Board colleagues and the wider team in Audit Scotland which provide great service to the Board. In particular, he expressed his thanks and appreciation to both Caroline Gardner and Diane McGiffen for their support and for their superb stewardship of Audit Scotland.

The Chair extended his thanks and best wishes to Alan Alexander in his role as Chair effective from 1 April 2020 and wished Stephen Boyle good luck as Auditor General for Scotland designate.

The Board warmly thanked Ian for his contribution.

There was no further business.

15. Review of meeting

The members agreed that items of business had been carefully considered and the Chair thanked everyone for their contributions.

16. Date of next meeting: 13 May 2020

The members noted the next meeting of the Audit Scotland Board was scheduled for 13 May 2020.

Minutes

Wednesday 13 May 2020, 10.15am

Audit Scotland by Videoconference

Present:

Alan Alexander (Chair)
Caroline Gardner
Graham Sharp
Heather Logan

Apologies:

None

In attendance:

Diane McGiffen, Chief Operating Officer
Stephen Boyle, AGS Designate
Martin Walker, Associate Director, Corporate Performance and Risk
Nicola Paton, Digital Project Manager, Digital Services
Stuart Dennis, Corporate Finance Manager
Simon Ebbett, Communications Manager
David Blattman, HR and OD Manager
Robert Leask, Project Manager, Audit Quality and Appointments
Fiona Kordiak, Director, Audit Services
Neil Cameron, Manager, Performance Audit and Best Value

1. Welcome and apologies

Alan Alexander welcomed members and attendees to his first meeting as Chair of the Audit Scotland Board.

The meeting was held by video conference due the COVID-19 pandemic.

2. Declarations of interest

There were no declarations of interest.

3. Chair's report – verbal update

The Chair advised he had written to the Scottish Commission for Public Audit (SCPA) highlighting the risk to the governance of Audit Scotland in light of the delay to the recruitment of independent members. Diane McGiffen advised that , subject to final confirmation, it was now likely that the Parliament would proceed with interviewing board candidates before the end of May 2020.

The Chair advised he had reflected on the good governance of the Board and its Committees and confirmed he was proposing to continue as Chair of the New Audit Appointments Steering Group to provide continuity in light of the potential extension to lockdown and that this would be reviewed in due course.

The Chair also advised he proposed that, given the Board vacancy, he would continue as interim Chair of the Remuneration and Human Resources Committee (Remco), to ensure scheduled business can be considered by Remco following today's Board meeting but he anticipated that to be the last Remco meeting he chairs subject to the Board appointments being confirmed.

The Board confirmed it was content with the proposals.

The Chair advised of meetings with Diane McGiffen, engagement and preparation ahead of attendance at the Audit Committee and chairing a meeting of the New Audit Appointments Steering Group on 11 May 2020.

The Board welcomed the update.

4. Accountable Officer's report – verbal update

Caroline Gardner noted that she would build on the update that Diane McGiffen provided at the most recent meeting of the Audit Committee. She advised that the Coronavirus pandemic was a health, social and economic crisis which will affect how we all live and work for years to come. She advised that Audit Scotland has focused on the immediate consequences and are now planning ahead as a number of key decisions will be required on the work that we do by the new Auditor General for Scotland and the Accounts Commission.

Caroline advised that Audit Scotland colleagues have been working remotely since 16 March 2020, securely supported by Digital Services and that the Incident Management Team has been communicating with colleagues regularly confirming that that safety comes first.

Caroline advised that there was little financial impact on Audit Scotland's accounts to 31 March 2020. She advised that the 2019/20 underspend of £125k and that the draft accounts have been presented to the external auditors, Alexander Sloan, this week. Caroline invited members to note the achievement of the Finance team in delivering this as well as supporting the Comptroller function, paying suppliers and staff.

Caroline invited members to note that there had been two Leadership Group meetings, a meeting with the audit partners and firms and engagement between Audit Directors and the firms about how we work together, and praised the work of colleagues in supporting Accounts Commission meetings remotely.

Caroline advised that she had briefed the Public Audit and Post Legislative Scrutiny Committee (PAPLS) on the likely impact of Covid-19 on Audit Scotland's work and the Committee's work programme. Caroline also advised of ongoing contact with the other UK and Ireland audit agencies, highlighting the forthcoming meeting of the Auditors General on 22 May 2020 to discuss respective responses to the pandemic.

Caroline invited members to note that Audit Scotland are now looking at the prioritisation and resourcing the audit work, recognising the impact of the pandemic on audit bodies and audit work programmes. She advised that Fraser McKinlay, Director of Performance Audit and Best Value and Controller of Audit and Fiona Kordiak, Director of Audit Services are reviewing Audit Scotland's work programmes in more detail, adopting the principles of being flexible, pragmatic and consistent in approach. She advised that in assessing work priorities, the impact on colleagues and capacity would be key, recognising that financial reporting deadlines are changing and that audited bodies are facing unprecedented challenges. Caroline highlighted the briefing paper published on Audit Scotland's website which provided information on audit priorities and approach.

The Chair thanked Caroline for the update, praised the ongoing communications from the Incident Management Team and welcomed the support and care demonstrated for colleagues.

Heather Logan asked whether there were any concerns about the audit firms and their ability to deliver the audit work. Caroline Gardner advised that she had been impressed by the firms' response to the current situation and she confirmed Audit Scotland are keeping in touch on the likely impact through ongoing engagement and additional sector meetings.

Heather Logan asked whether Audit Scotland are currently employing any agency staff. Caroline Gardner confirmed that some temporary and fixed term employees whose contracts would otherwise have expired had been retained until the end of June. She also advised that Audit Scotland had cancelled the summer intern programme with regret, but was progressing with the graduate trainee recruitment and that successful candidates would join the organisation in September 2020 and that the scheme continues to be vital for ongoing recruitment and retention and organisational capacity.

Following discussion, the Board welcomed the update.

5. Accounts Commission Chair's report – verbal update

Graham Sharp acknowledged that colleagues across Audit Scotland have coped remarkably well and noted Accounts Commission members' appreciation of the communications. He noted the potential impact of both the immediate and longer-term audits and that this would be the focus over the coming months.

Graham advised that the Accounts Commission had met in the previous week to discuss issues including best value reporting.

Graham invited members to note that the Accounts Commission will proceed with the current work on the Local Government Overview, recognising that the work pre-dates Covid-19. He advised that thought was being given to the focus and timing of overview work for this year.

Members noted an impact report on equal pay would be published.

Graham advised a further meeting of the Commission is scheduled for 21 May 2020 and that the commission was likely to hold two virtual meetings in June if the current restrictions remain place.

The Board welcomed the update.

6. Review of minutes: Board meeting 24 March 2020

The Board considered the minutes of the meeting of 24 March 2020, which had been previously circulated.

The Chair formally recorded that the members of the Board had had an extended discussion on the revised draft minute he had circulated in advance of the meeting and subject to amendment this would be substituted for the draft circulated.

The members discussed the basis of minuting discussions on items taken in private and agreed this would be considered as part of the Board's review of governance scheduled for later in the year.

Following discussion, the Board members agreed a variation of the draft minute circulated by the Chair which Diane McGiffen would share for consideration and approval by members via correspondence.

Action ASB111: Diane McGiffen to circulate an updated draft of the draft minute for approval by correspondence. (May 2020)

7. Review of action tracker

The Board noted the updates provided on the action tracker and the Chair advised he had written to the Office of National Statistics and would report back in due course.

8. COVID-19 – verbal update

Stuart Dennis, Corporate Finance Manager, Simon Ebbett, Communications Manager, David Blattman, HR and OD Manager joined the meeting.

The Chair invited Stuart Dennis to provide an update on financial planning.

Stuart Dennis highlighted a number of critical finance functions which had continued to operate effectively in the current situation, these included; payroll, payment of suppliers and managing the comptroller function.

On the 2019/20 accounts position, Stuart advised that the core operational outcome was £125k better than budget, capital was £9k better than budget and the AME non cash pensions was significantly better at £4,180k. Stuart invited the Board to note that the audit of the accounts was

concluding this week and expressed his appreciation of the efforts of the Finance team and support from colleagues across the organisation to support this work at this difficult time.

Turning to the 2020/21 budget, Stuart provided an update on the cashflow position and invoicing. Stuart advised he anticipated some payment of invoices may be delayed and that he had been in contact with Finance colleagues at the Scottish Government regarding the potential cashflow issues this may cause. Stuart also advised he was engaging with business groups in relation to forecasting and savings on expenditure while considering the potential impact on in-house work in progress through to March 2021.

Stuart highlighted a number of potential implications of increased costs of audit work in order to meet extended deadlines and how that might be funded, the ability to deliver EAFA audit work by end December 2020, the longer term impact planning underway in relation to pensions, resourcing and funding issues and the procurement exercise on costs. Stuart advised that the medium-term financial plan is a live document which continues to be updated.

Heather Logan welcomed the comprehensive update and asked where additional funding could come from. Stuart advised that any additional funding could be requested through the Scottish Commission for Public Audit, would need their approval and would then be included in an Autumn budget revision. Stuart also provided assurance on the process of payment for the audit firms. Diane McGiffen advised that as part of the medium term financial planning the Board would be invited to consider the best options for sustainable funding for Audit Scotland, given that, regardless of whether fees were charged for audits or the work was directly funded, all the resources came through public funds. Caroline Gardner reflected on the significance of the potential issues arising and welcomed the consideration of the issues highlighted by Stuart and the Finance team.

Following discussion, the Board welcomed the update and the Chair requested a report to come to the Board's next meeting on 1 June 2020.

The Chair invited Diane McGiffen to provide an update on organisational priorities.

Diane McGiffen highlighted the critical business continuity arrangements in relation to people, audit work and public bodies. Diane invited the Board to note that fewer than ten colleagues had reported experiencing COVID symptoms, and that overall sickness absence levels were lower than at this point in previous years. Diane invited the Board to note that the Audit Committee is scheduled to review the Health Safety and Wellbeing annual report at its meeting on 1 June 2020 and that this documents key performance indicators for 2019/20, demonstrating no significant change from previous years.

Diane advised that Audit Scotland has been dealing with the immediate short term demands arising from the situation and is now looking to support emerging needs of colleagues working from home now for an extended period, recognising the challenges colleagues face reconciling the multiple demands on them as they work from home, home school and provide care for relatives and others.

Diane advised that the approach to audit work had been outlined at the PAPLS session, and reinforced that Audit Scotland's approach was to be pragmatic, flexible and consistent. She noted that reporting deadlines have been rescheduled and advised that assessments were ongoing as we work through resources to support the changes, anticipating peaks of work from July onwards and recognising the priority to complete financial statements as well as the work to progress corporate improvement programmes.

Diane invited members to note that the situation across public bodies remains very mixed and challenging and there is a lot for Audit Scotland to understand and respond to appropriately. Diane also highlighted the good relationships across audit agencies which is helpful in light of the bigger issues of scrutinising the flow of public finance across the reserved and devolved spending.

The Chair enquired about the colleagues who have displayed symptoms and Diane advised some colleagues have been advised to self-isolate. She also noted that Audit Scotland is largely able to work from home, although that can bring challenges, but that no one needs to

travel for business reasons and that the principle of, and communications on, safety first appears to be understood and well received by colleagues.

The Board welcomed the update, acknowledging the significant issues arising and the approach Audit Scotland are taking to understand and deliver audit work in this volatile and changing situation.

Stuart Dennis, Simon Ebbett and David Blattman left the meeting.

9. Governance arrangements - review of Standing Orders

Martin Walker introduced the Governance arrangements – review of Standing Orders report, copies of which had been previously circulated.

Martin Walker invited the Board to note that the practical options for holding virtual public meetings are being explored while the current situation continues. Martin then invited members to consider and approve the reinstatement of the Standing Orders in relation to the publication of Board papers and the publication of papers from the meeting on 24 March 2020.

The members noted and agreed the proposal to publish the papers from the meeting of 24 March 2020 together with those from today's meeting as set out in the report.

Following discussion, the Board welcomed the report and agreed to keep the Standing Orders under review.

Martin requested members consider the papers to be published from today's meeting under Any other business.

Action ASB112: Martin Walker to arrange the publication of Board papers. (May 2020)

10. New audit appointments update

Robert Leask, Project Manager, Audit Quality and Appointments, joined the meeting,

Alan Alexander introduced the New audit appointments update, copies of which had been previously circulated.

The Chair invited members to note the progress outlined in the report, the potential impact on audit fees of COVID-19 and the outcome of the code consultation process. The Chair also invited members to note that letters seeking approval to extend the current audit appointments for one year had been issued to the Auditor General for Scotland and the Accounts Commission and both had agreed in principle to the extension. The Chair advised the option to extend by a further year second extension will remain under review.

Turning to the timetable for implementation of the new Code, the Chair invited members to note the proposed extension to engagement on the Code in light of significant gaps in responses received to date and invited Robert Leask to provide a verbal update on the impact on the key areas for procurement.

Robert Leask invited members to note the full cost impact from Covid-19 is not yet known for both the potential audit appointment extension and the procurement exercise. The Board noted that the option to extend by a second year would remain under review.

The Chair advised the Steering Group will be considering the scope for an interim project overview report in June 2020.

Following discussion, the Board noted the report.

Robert Leask left the meeting.

11. Information Security Management policy

Nicola Paton, Digital Project Manager, Digital Services, joined the meeting.

Nicola Paton introduced the Information Security Management policy, copies of which had been previously circulated.

Nicola Paton highlighted the amendments made to improve Audit Scotland's policy and invited the Board to approve the policy.

Nicola expanded on the proposal to remove reference to Cyber Essentials Plus, as ISO27001 accreditation is recognised as exceeding these requirements.

The Board recorded their congratulations to the team in achieving ISO27001 reaccreditation and approved the updates to the policy, noted this demonstrated ongoing commitment to excel in this important area.

Nicola Paton left the meeting.

12. Review of Ethical Standard Policy on application

Fiona Kordiak, Director, Audit Services, and Neil Cameron, Manager, Performance Audit and Best Value, joined the meeting.

Fiona Kordiak introduced the Review of Ethical Standard Policy on application report, copies of which had been previously circulated.

Fiona Kordiak invited the Board to consider and approve the updated policy which reflected on the Financial Reporting Council's updated standards. The main change applicable to Audit Scotland relates to limited secondment opportunities available for colleagues and advised that this is not permitted for audit firms.

The Chair welcomed the update and, recognising the nature of the guidance, requested future updates be shown in tracked changes.

Caroline Gardner highlighted that the key concern of loan assignments is the ability to maintain our independence while recognising it is useful for progression and development of colleagues. She advised that Fiona and the team are thinking through the arrangements in place to enable working with other agencies.

Following discussion, the Board approved the policy.

13. Any other business

The Chair invited Martin Walker to propose the papers for publication as highlighted at item 9 of today's agenda. Following discussion, members approved the publication of the papers proposed.

The Board also agreed the adoption of the Audit Committee minutes which had been previously circulated.

Heather Logan highlighted the application of the Ethical standards policy for any new Board member(s) and Diane McGiffen confirmed she would highlight this with the SCPA.

Action ASB113: **Diane McGiffen to liaise with the SCPA on the application of Ethical standard for new Board appointments. (May 2020)**

14. Review of meeting

The members agreed that the first virtual meeting had worked well, business had been carefully considered and the Chair thanked everyone for their contributions.

15. Date of next meeting: 1 June 2020

The members noted the next meeting of the Audit Scotland Board was scheduled for 1 June 2020.

APPENDIX 2

Agenda

AUDIT SCOTLAND

Monday 1 June 2020 at 11.30am

By video-conference

1. Welcome and apologies
2. Declarations of interests

Standing items

3.	Chair's report – verbal update	For information
4.	Accountable Officer's report – verbal update	For information
5.	Accounts Commission Chair's report – verbal update	For information
6.	Review of minutes: Board meeting 13 May 2020	For approval
7.	Governance arrangements - review of Standing Orders	For information
8.	Review of action tracker	For information

Governance

9.	2019/20 Annual report on international work	For approval
10.	2019/20 Annual report on freedom of information and environmental information	For approval
11.	2019/20 Annual report on complaints	For approval
12.	2019/20 Annual report from the Chair of the Audit Committee to the Board	For approval
13.	2019/20 Governance statement on internal control and certificate of assurance	For approval
14.	2019/20 Draft audit management letter	For information
15.	2019/20 Annual report on quality of public audit in Scotland	For approval
16.	2019/20 Audit Scotland annual report and accounts – Year end 30 March 2020	For approval
17.	Internal interim report on mainstreaming equality	For information
18.	Policy on the provision of non-audit services by Audit Scotland's external auditor	For approval

Business planning and performance

19.	Impact of Covid-19 on Audit Scotland finances	For information
20.	2019/20Q4 Financial performance report	For information
21.	2019/20 Q4 Corporate performance report	For information

22. 2019/20 Q4 Strategic improvement programme update — For information

23. New audit appointments update — For information

24. European Union withdrawal update — For information

Conclusion

25. Any other business

26. Publication of papers — For approval

27. Review of meeting

28. Date of next meeting: 30 September 2020

ACCOUNTS COMMISSION

AGENDA ITEM 7
Paper: AC.2020.6.3

MEETING: 11 JUNE 2020

REPORT BY: SECRETARY TO THE COMMISSION

BEST VALUE ASSURANCE REPORT: NORTH AYRSHIRE COUNCIL

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Best Value Assurance Report for North Ayrshire Council.

Background

2. A key objective of the approach to auditing Best Value is to allow the Commission to provide more regular assurance to the public about how councils are performing in relation to their Best Value statutory duties. It is intended that this will be achieved by the Controller of Audit submitting a Best Value Assurance Report (BVAR) on each council at least once during the five-year audit appointment and by Best Value being reported in annual audit reports.

3. The attached BVAR (Appendix 1) is on North Ayrshire Council. This is the first BVAR on the council and reports on the progress made by the Council since previous Best Value reports. The Controller of Audit reported to the Accounts Commission on the Council in January 2011 and the Commission's findings were published in March 2011 (set out in Appendix 2).

The Controller of Audit report

4. The BVAR is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).

5. The legislation enables the Controller of Audit to make reports to the Commission with respect to:

   - the accounts of local authorities audited under the Act;
   - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
   - the performance by a local authority of their statutory duties in relation to best value and community planning.

6. A copy of the report is being sent to the Council, which is obliged to supply a copy to each elected member of the Council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Council it is effectively in the public domain.

7. The report concludes with a series of recommendations proposed by the Controller of Audit which are to be part of the Commission's considerations.

Procedure

8. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:

    - direct the Controller of Audit to carry out further investigations
    - hold a hearing
    - state its findings.

9. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.

10. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.

11. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.

Conclusion

10. The Commission is invited to:

    a) consider the Controller of Audit's BVAR on North Ayrshire Council; and
    b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
1 June 2020

APPENDIX 1

BEST VALUE ASSURANCE REPORT: NORTH AYRSHIRE COUNCIL

See separate paper.

APPENDIX 2

BEST VALUE AND COMMUNITY PLANNING REPORT – NORTH AYRSHIRE COUNCIL: COMMISSION FINDINGS

MARCH 2011

1. The Accounts Commission accepts this report from the Controller of Audit on North Ayrshire Council's performance of its statutory duties on Best Value and Community Planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the council's overall performance is satisfactory and that it has fair prospects for future improvement.

2. The Commission recognises encouraging signs since mid-2009 of a real increase in the commitment to addressing the key Best Value characteristics of performance management, improved resource management and the engagement of elected members in improvement activity. The Commission very much welcomes the aims of the council's change programme and the associated improvement activity.

3. The Commission also welcomes evidence that North Ayrshire Council is performing well in some important service areas such as education, housing, social work, planning and libraries. The council has a clear focus on the challenges of its area and progress is being made in key outcomes related to caring for and supporting the most vulnerable people in the area.

4. While recognising this progress and good service performance, the Commission notes that many of the activities and developments designed to secure a culture of continuous improvement are at an early stage and there is much still to be achieved. It is too soon in the current change process to form a judgement on its lasting impact.

5. When looked at over the whole period since the first Best Value report on the council was published in 2005, the progress is disappointing. We welcome the council's awareness of its own development needs and urge it to continue to strengthen the process of change and improvement.

6. The council must achieve demonstrable and enduring change in the key processes that ensure Best Value. This is essential if the council is to be able to sustain good service performance, extend that level of performance to other service areas and demonstrate that it is achieving value for money.

7. In particular, the Commission urges the council to make progress in establishing sufficiently robust performance management arrangements to support elected members in their scrutiny role. The council also needs to develop a financial strategy and secure comprehensive improvement in its ability to demonstrate that it is using resources efficiently. Improvements in asset management and procurement of goods and services are essential to this. The council should continue to strengthen its work with health partners, and its approach to sharing resources with partners to address priority outcomes.

8. The increasing commitment of elected members to their scrutiny role is encouraging. The Commission urges elected members to continue to develop this, and to play a full part in leading and supporting change management in the council. The council should ensure that managers are equipped with an understanding of continuous improvement and the capacity to implement change throughout the organisation.

9. On behalf of the Commission, Audit Scotland will continue to work closely with other scrutiny bodies to deliver an annual shared risk assessment of North Ayrshire Council and agree a schedule for audit and inspection work to assess continued progress. External auditors will monitor progress on the key issues identified in these findings and report on them as part of the annual audit process, and the Controller of Audit will consider as appropriate whether to make a further report to the Commission.

North Ayrshire Council

Best Value Assurance Report

Prepared for the Accounts Commission by the Controller of Audit
11 June 2020

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and Community Planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Key facts

Land Mass - 340 square miles

Population - 135,280 as of June 2018

Workforce - 5,890 FTE

Elected Members - 33

Cross-party Breakdown - 11 Scottish Labour Party, 11 Scottish Nationalist Party, 7 Scottish Conservative and Unionist Party and 4 Independents.

Revenue budget - £357.928m for 2020/21

Capital budget - £269.137m covering the period 2020/21 to 2027/28

Budget gap - £9.248m (2.6 per cent of budget) for 2021/22 and £9.817m (2.8 per cent of budget) in 2022/23

Audit approach

1. The statutory duty of Best Value was introduced in the Local Government Scotland Act 2003. The audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on North Ayrshire Council. Previous Best Value reports on the council are summarised at Appendix 1 in the Best Value audit timeline.

2. This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's strategic audit priorities. We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver services. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

3. Our audit approach is proportionate and risk based, so it reflects the context, risks and performance of the individual council. It also draws on the intelligence from audit and scrutiny work carried out in previous years. In keeping with this approach, we conducted some initial work to identify risks and council initiatives to build into the scope of our audit. This included a review of previous audit and inspection reports and intelligence, a review of key council documents, initial meetings with senior officers and reflection on our wider public sector knowledge and experience. Key areas of focus for our audit are listed in Exhibit 1.

Exhibit 1

Key areas of focus for our audit

- Council vision and strategic direction - how clear are the council's priorities and how well does the leadership work together to deliver these.
- Council performance - an overall assessment of outcomes and performance and the reporting of these. We also looked at how the council uses information to support improvements.
- Planning use of resources - how the council plans its use of resources, including asset management, financial planning, workforce planning and transformational change to support the delivery of its priorities.
- Delivering services with partners - how well the council works with partners and delivers services through partnership and collaborative working, including progress with health and social care integration.
- Community engagement and empowerment - how these impact the council's priorities and actions.
- Continuous improvement - how the council approaches continuous improvement, including how it uses self-assessments and external scrutiny to drive improvements.

Source: Audit Scotland

4. The detailed audit work for this report was undertaken in February and March 2020. Our audit work included:

- interviews with elected members and senior officers
- observing a range of council and community meetings

- document review
- data analysis.

5. The fieldwork for this report was conducted before the COVID-19 (coronavirus disease) outbreak in Scotland. The outbreak has brought unprecedented challenges to organisations around the country. It is not yet known what long-term impacts these will have on populations and on the delivery of public services, but they will be significant and could continue for some time. The report does not consider the impact of COVID-19 on the council, or the implications for the audit findings and conclusions. However, the principles of sound financial management, good governance, public accountability and transparency remain vital.

6. We will continue to audit Best Value at the council in the remaining year of the audit appointment. This will include a follow-up on the findings from this report as well as more detailed audit work on other Best Value characteristics as appropriate.

7. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members and officers contacted during the audit.

Key messages

1. The council has a strong culture of continuous improvement. It has significantly improved and continued to make progress since the last Best Value report in 2011. Council priorities, plans, actions, and outcomes are clearly linked. Staff play an active role in identifying and driving improvement. The council is delivering improvements for communities and residents.

2. There is a strong culture of collaborative working at North Ayrshire Council. Elected members and officers work well together, and the council works effectively with a wide range of partners including the CPP, the IJB and private business. There is joint ownership of, and commitment to delivering agreed strategic priorities. The Council Plan, the Local Outcome Improvement Plan and local community plans are all clearly aligned and focussed on addressing North Ayrshire's key challenges.

3. Despite significant economic and demographic challenges, the council is performing well and is a frequent award winner and early adopter for national pilots. Council performance over the last five years has been improving, although it has levelled off in the last year. Priority areas are generally performing well, with the exception of education. Performance management arrangements are clearly focused on priority areas and data is used to drive improvements.

4. The council's arrangements for financial planning and management are good, overall, and it has significantly improved its asset management and procurement arrangements since our last Best Value report. While the council has made clear progress with its transformation agenda, including setting aside money to fund savings projects, it still faces a significant shortfall and savings plans fall short of the estimated funding gap.

5. The council is committed to community empowerment and is recognised by the Scottish Government and COSLA as a sector leader. The council's approach is focused on embedding community empowerment in every-day business. The council works well with a wide number of communities and groups including young people and tenants.

Part 1

Does the council have clear strategic direction?

The council has a clear vision, set out in the Council Plan 2019-2024. This vision is shared by the council's partners and aligns with the vision set out in the Local Outcome Improvement Plan. There is a clear link between council plans and priorities to operational service plans and individual actions and staff roles.

North Ayrshire Council has a strong culture of collaborative working. Elected members and officers work well together and there is joint ownership of, and commitment to delivering, the Council Plan.

The council is open and transparent in its decision-making. It streams full council and cabinet meetings on its website. A new chief executive started in 2018 and the executive leadership team (ELT) is currently being restructured.

The local context

8. North Ayrshire is located on the south-west coast of Scotland and is the 16th largest and 15th most populated Scottish council area. It covers an area of about 340 square miles, and about 50 per cent of its land mass is on the islands of Arran and Great Cumbrae. Most of its people live in towns but there are also areas with more dispersed populations such as the islands of Arran and Great Cumbrae.

9. North Ayrshire's economy was historically built around heavy industry, including manufacturing and construction, all of which have been in decline in Scotland for many years. This has had a noticeable impact on productivity in North Ayrshire. Gross value added (GVA) is a measure of the value of goods or services produced per person. In 2016 GVA in East and North Ayrshire was the lowest in Scotland at around £15,000 compared to a Scottish average of around £25,000. [1]

10. In 2018, the council commissioned the Fraser of Allander Institute to write a North Ayrshire Economic Review. It identified that North Ayrshire was the fifth most deprived council in Scotland, with the second highest rate of child poverty and high rates of unemployment.[2] The deprivation in North Ayrshire is also reflected in health outcomes with a lower healthy life expectancy than the Scottish average (62 years compared to 64), and the highest rate of avoidable deaths in Scotland.[3]

[1] North Ayrshire Economic Review, Fraser of Allander Institute, November 2018.

[2] Based on the Scottish Index of Multiple Deprivation (SIMD). SIMD is a tool developed by the Scottish Government to identify areas of poverty and inequality across Scotland. It ranks 6,976 data zones (small geographic areas) from most deprived to least deprived. Updated SIMD data was published in January 2020 showing that North Ayrshire has increased by one the number of data zones that sit within the 15 per cent most deprived nationally.

[3] Avoidable deaths are classed as those that may have been prevented using either healthcare or public health interventions.

11. North Ayrshire also faces significant demographic challenges. Its overall and working-age populations declined from 1998 to 2018 and are expected to continue to decline between 2018 and 2028. At the same time, the 65 and over age group is rising and is projected to continue to rise. By 2028 this group will represent 27 per cent of North Ayrshire's population.

The Council Plan sets out a clear vision and direction for the council

12. Elected members and the ELT have set out a consistent, clear vision and direction for the council. The council's vision is set out in the Council Plan 2019-2024 - '*A North Ayrshire that is Fair for All'* and is focused on improving wellbeing, prosperity and equity.

13. The council has identified three priorities in its Council Plan:

- Aspiring communities - this includes priority outcomes centred on giving children the best start in life, inclusive economic growth, good health and wellbeing, community safety and strong active communities.
- Inspiring places - this includes priority outcomes on infrastructure, digital advances, affordable housing, attractive places and a sustainable economy.
- A council for the future - this is about how the council will transform and improve services through innovation and reshaping its approach, to ensure that council services are accessible, efficient and sustainable.

14. Sustainable development is embedded within the council's strategic priorities and underpins the Council Plan. The council declared a climate emergency in 2019 and changed its aim to reduce carbon emissions by 40 per cent by 2030 to the aim of becoming carbon neutral by 2030.

Case study 1

North Ayrshire Council has a pro-active and ambitious approach to tackling climate change

The council has long been committed to pursuing environmental sustainability. It achieved a 35.79 per cent (22,668 tonnes) reduction in carbon emissions from 2009/10 to 2018/19 and has been engaging with communities on the latest update to its Environmental Sustainability and Climate Change Strategy (first published in 2014 and last updated in 2017). Community input into the council's 'climate change - just cool it' consultation will be reflected through action points in the 2020 update. The council engaged with communities on updating this strategy for 2020 through its 'climate change - just cool it' consultation. The responses will be reflected in specific action points in the strategy.

The council's sustainability ambitions are underpinned by a cohesive range of complementary plans and strategies, including the Zero Waste Strategy and the Plastic Waste Prevention Plan. The council declared a state of climate change emergency in May 2019 and, in January 2020, announced its aim to be carbon-neutral by 2030. Several transformation initiatives are linked to reducing carbon emissions. The council approved an £8.8 million investment fund for climate change, infrastructure and community wealth building (CWB) in its 2020-21 budget. Climate change initiatives financed by the fund are expected to achieve the dual objectives of reducing carbon and generating revenue for the council. The council's carbon reducing initiatives include:

- planting three hectares of woodland at Ardeer Quarry
- the construction of wind turbines and solar panels at Nethermains
- installing solar panels on 500 council house roofs

- rolling out a low-emission fleet and the use of electric vehicles and other vehicles powered by alternative fuels.

Although ambitious, the council's environmental targets build on what has already been achieved and reflect what the council believes can be achieved in the future.

Audit Scotland, 2020.

The council consulted widely to develop the Council Plan and restructured its leadership team to focus on delivery

15. The council has a good understanding of the challenges facing North Ayrshire. Elected members and officers agree that the Council Plan reflects local needs. The plan is focused on addressing North Ayrshire's high levels of deprivation, demographic and economic challenges. The council has maintained the same strategic priorities over several years despite changes in the administration and in senior staff, reflecting the consensus on the key challenges facing the council.

16. The priorities set out in the Council Plan were developed between October 2018 and March 2019 and involved:

- discussion with elected members
- the development of options at a leadership conference
- lead officers working with colleagues across the council to refine these options
- discussion with community planning partners
- community consultation on draft priorities.

17. The leadership team is in the process of being restructured. The new chief executive, who was appointed in 2018, decided that all services should be clearly aligned to the priorities in the Council Plan. The council no longer produces directorate plans, using service-level operational plans instead, which clearly align to the Council Plan and priorities. Staff understand how their individual roles contribute to the council's priorities, and day-to-day work is directly connected to the priorities in the plan.

The Council Plan is clearly aligned with the Local Outcome Improvement Plan and locality plans

18. The Community Planning Partnership (CPP) published its Fair for All Strategy - 'A strategy to reduce inequality in North Ayrshire' - in March 2016 with regular updates provided to the Community Planning Partnership Board. The strategy focuses on the impact of poverty on communities and identifies opportunities where the CPP can have the biggest impact on reducing inequality. The development of the strategy was supported by the Fair for All Advisory Panel, which includes representatives from external bodies such as the Joseph Rowntree Foundation, the Carnegie Trust and Glasgow University. The panel holds two meetings per year to provide governance and direction to the CPP.

19. In 2017 the CPP published its Local Outcomes Improvement Plan (LOIP) 2017-2022. The Community Empowerment (Scotland) Act requires that every CPP publishes a LOIP to outline how it will work with communities to improve outcomes.

20. The CPP used a wide range of data and evidence to develop and inform the LOIP, including the Fair for All analysis and SIMD analysis. The CPP also consulted with communities to ensure that the LOIP priorities aligned with local needs and expectations.

21. The Council Plan and the LOIP are clearly aligned. Tackling inequality is the overarching theme of both plans. The four LOIP priority areas and supporting strategies are:

- A Working North Ayrshire (underpinned by the Economic Development and Regeneration Strategy 2016-25).
- A Healthier North Ayrshire (underpinned by the Health and Social Care Partnership Strategic Plan 2018-21).
- A Safer North Ayrshire (underpinned by the North Ayrshire Antisocial Behaviour Strategy 2015-18, superseded by the draft Safer North Ayrshire Strategy 2020-25).
- A Thriving North Ayrshire – Children and Young People (underpinned by North Ayrshire's children's Services Plan 2016-20).

The leadership team and elected members work very well together

22. The ELT is effective. There is a good level of debate and scrutiny at ELT meetings and all members come to meetings fully prepared. The ELT works well with elected members, and senior staff routinely engage with members outside of formal meetings. Members were very positive about relationships with staff, and the support and information that staff provide.

23. There was a comprehensive induction programme for elected members after the last election. This induction involved elected members visiting council services and meeting staff and service users. This was welcomed by elected members, as it helped put decisions into context and gave them a deeper understanding of the work of the council. It also helped to build working relationships between staff and elected members from the outset. In addition, there continue to be regular briefings and updates available for members on a range of subjects, such as the Health and Social Care Partnership and the services it provides.

24. Each year, the Audit and Scrutiny Committee considers the development needs of elected members. The latest report found that, on average, each member attended 16 development sessions, equating to approximately 23.4 hours of CPD a year plus on-line training and attendance at external events and conferences. However, individual member attendance at training varied significantly and those members who also work full-time find it more difficult to attend. In response, the council has worked to re-arrange training to better suit working members by reviewing the programme of events and, at the suggestion of Audit and Scrutiny Committee members, establishing a more mixed approach including videos, briefing notes, face-to-face training and on-line learning.

The council's decision-making structure is effective

25. North Ayrshire Council operates a cabinet system. This is the main decision-making body and is made up of the administration. This system works well and is supplemented by a policy advisory panel that provides all elected members with an opportunity to influence strategic and policy developments.

26. Council business is transparent, with all decisions being made in public, unless they are commercially sensitive. Full council meetings, cabinet meetings and Integration Joint Board (IJB) meetings are streamed online and all reports are uploaded to the website three working days before meetings. Elected members also update community councils and local community groups. The council has worked on making documents more readable and providing good online search functions so that the public can easily find information.

Part 2

How well is the council performing?

North Ayrshire has one of the highest rates of deprivation in Scotland. It also has a shrinking population, particularly among the economically active. These factors present significant challenges for the council. Despite this, the council is performing well and is a frequent award winner and early adopter of national pilots.

Council performance has improved over the last five years, though, like other councils, it has levelled off in the last year. There has been a deterioration in most education performance indicators, which the council is working to address.

Performance reporting systems are clearly focused on priority areas. Targets are realistic and kept under review. Performance information is readily available in a variety of formats. Reports have become more user-friendly and focused in recent years.

Apart from a recent decline in education indicators, the council is performing well

27. Despite facing deprivation, demographic and economic challenges, the council is a frequent award-winner and early adopter of national pilots. For example, in 2017, the council was awarded two gold and two bronze COSLA awards and was named 'Council of the Year' at the Association for Public Service Excellence (APSE) awards. In 2018, the council's partnership with businesses and other public sector organisations to drive business growth in North Ayrshire (Team North Ayrshire) won an APSE award for the best public/private partnership, and the council won two COSLA bronze awards for its Inclusive Growth Diagnostic pilot and its locality partnerships. The council was also the first in Scotland to secure an Investors in People platinum award for its housing service.

28. The Improvement Service's Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services, including cost of services and residents' satisfaction. The framework also enables one council to compare its performance with the Scottish average and with other councils. Relative performance can be assessed by dividing performance into four quartiles. Quartile 1 contains the best-performing councils and quartile 4 contains the poorest-performing councils.

29. North Ayrshire council compares its performance annually against LGBF indicators. It compares with the prior year and the five-year trend. The council's LGBF analysis of 69 comparable indicators showed that, in the five years from 2014/15 to 2018/19, performance improved for 49 per cent of indicators in absolute terms. In terms of relative performance, there was a slight improvement over the five-year period. In 2018/19 the proportion of indicators in the top two quartiles was the same as five years ago, and there are fewer indicators in the bottom quartile. However, the council's analysis shows a decline in performance in the last year, with more indicators in the bottom quartile compared to 2017/18. This is consistent with the auditor's analysis.

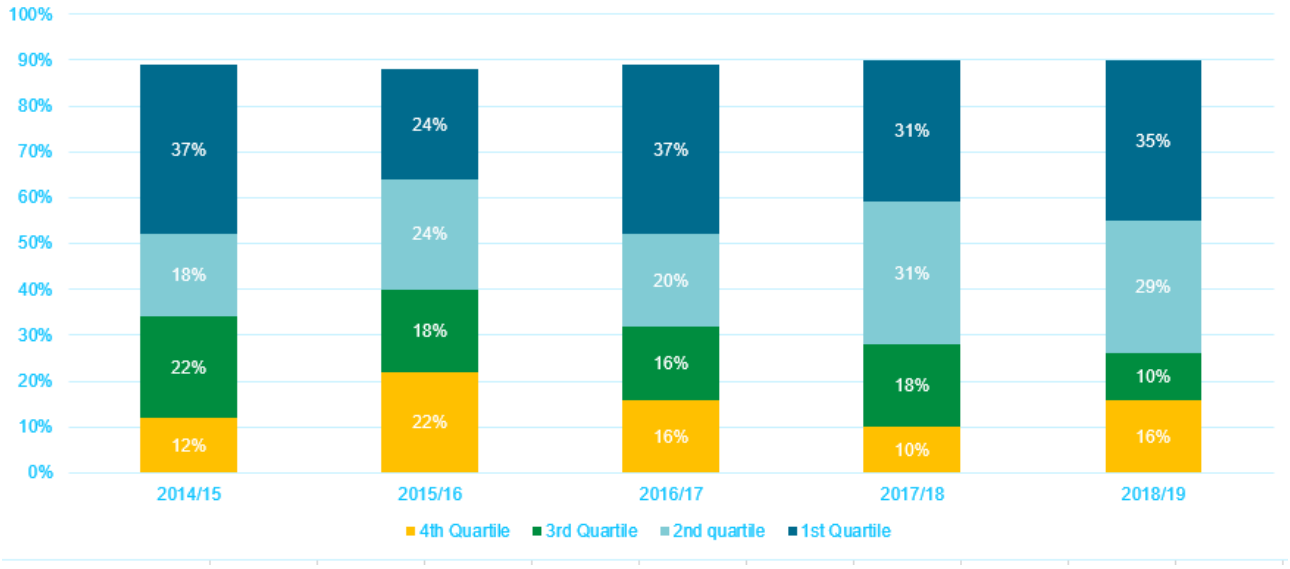
30. Audit Scotland's analysis of LGBF indicators is based on 49 indicators, which are measured annually and have been in place for the five-year period from 2014/15 to 2018/19. At the time of writing, the 2018/19 data for five of these indicators was still to be released. For consistency, we have analysed trend data for the 44 remaining indicators. The five indicators excluded from the analysis all sit within children's services and the council's performance in these indicators has previously been strong.

31. Our analysis shows the same trends as the council's analysis. The council performed above the national average for most indicators between 2014/15 and 2018/19. Performance improved overall during this period, with more indicators in the top two quartiles. However, in 2018/19, there were more indicators in the bottom quartile than there had been in the previous year or five years ago (Exhibit 2). According to the most recent Improvement Service report, a pattern is emerging across councils in Scotland where performance improvements gained in recent years are beginning to slow or decline in all key service areas.[4]

Exhibit 2

The council's LGBF relative performance, 2014/15 - 2018/19.

During this period, the council performance was above average for the majority of indicators.



Notes:

1. Measuring council performance involved considering how all councils in Scotland are performing, ranked from lowest to highest, for each indicator. Relative performance against other councils was divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile includes the poorest performing councils.

2. The analysis is based on 49, mainly outcomes-based, indicators which were reported every year within the five-year period. The analysis excludes satisfaction or cost-based indicators where high or low cost cannot be easily determined as positive or negative. As data for five of these indicators is still to be released for 2018/19 these were excluded from the analysis, which is why the total is 90 per cent rather than 100 per cent.

Source: Audit Scotland and Local Government Benchmarking Framework, Improvement Service, 2019

[4] Local Government Benchmarking Framework, National Benchmarking Overview Report 2018-19.

32. The council performs well compared to other councils in most service areas:

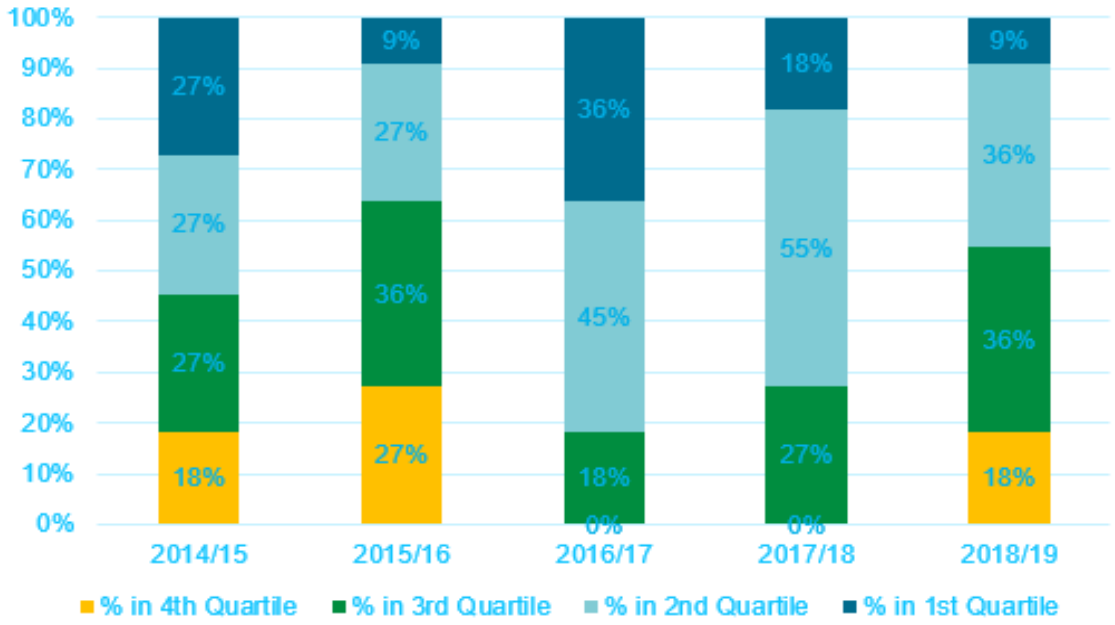
- Performance is consistently strong for housing services, which is one of the council's priority areas. All indicators sit in the top quartile.
- The council performance is strong and improving in culture and leisure services and corporate services. The majority of indicators are in the top two quartiles for both these service areas.
- Economic services are a priority area for the council. Overall performance has improved in recent years, and most indicators are in the top two quartiles. Procurement spent on local enterprises currently sits in the bottom quartile, but the council aims to address this with its Community Wealth Building strategy (discussed in part 5).
- Performance is more mixed but still improving in social work and environment. In social work, the proportion of spend on self-directed support is low and the council is reviewing this. In environment, the council is performing well except in relation to road condition. The council took a decision, based on a consideration of council priorities, to invest to maintain roads in their current condition rather than investing to improve their condition.

33. In children's services, there has been a recent decline in performance in most LGBF education indicators (Exhibit 3). In 2018/19, all tariff scores declined. The council believes that a decision to reduce subject choices in 2016, to help deliver necessary budget savings, may have contributed to the decline in tariff scores. In response to this, the council provided head teachers with the option to increase subject choices in 2018 and most schools have now done so. Improvements will take time to filter through as students move through the senior phase. Despite this decline in LGBF indicators, in-depth reports from Education Scotland are generally positive (see paragraph 38). Other children's service indicators are generally performing well compared to the Scottish average although 2018/19 data is not currently available.

Exhibit 3

North Ayrshire Council comparative education performance 2014/15 - 2018/19

Performance has fallen in the last year.



Note: This analysis excludes the non-education children's service indicators and the indicator for the proportion for positive destinations performance of education services.

Source: Audit Scotland analysis of LGBF indicators

Service satisfaction exceeds the national average for five of the nine LGBF indicators

34. LGBF data shows that satisfaction with council services has declined across Scotland, including in North Ayrshire, however, the council is still performing better than the Scottish average for satisfaction with libraries, refuse collection, street cleaning, local schools and adult care (Exhibit 4). It performs below the average for overall satisfaction with social care and social work services, and with museums and galleries.

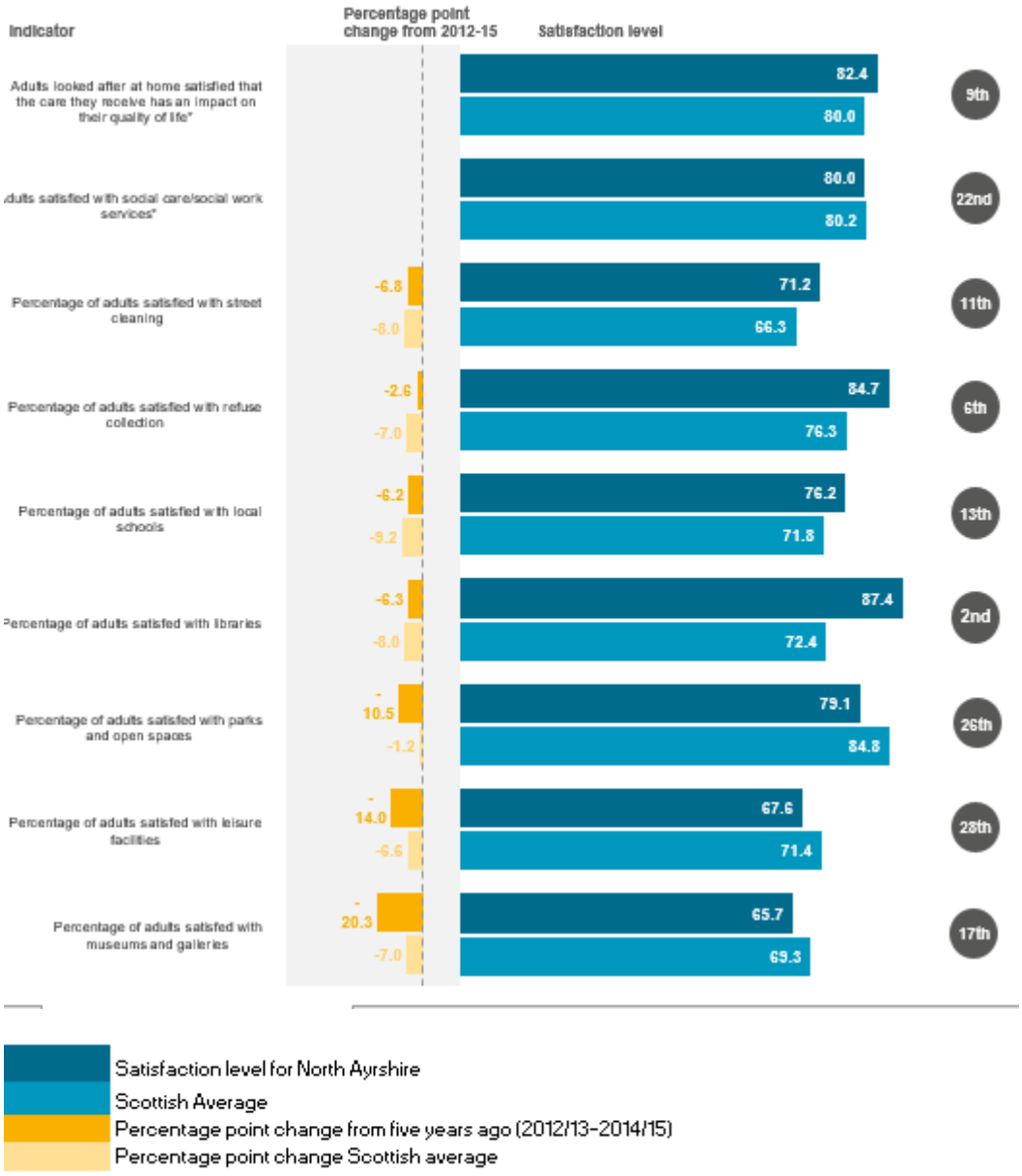
35. North Ayrshire is one of the poorest-performing councils in Scotland for satisfaction with leisure facilities and parks and open spaces. The council believes that its decision, in line with its priorities, to disinvest in open spaces alongside the permanent closure of one facility and the temporary closure of another for remedial works soon after opening, contributed to the decline in satisfaction. However, the number of visits to leisure facilities continued to increase in 2018/19 and turnover increased by 4.3 per cent compared to the previous year.

The LGBF includes indicators to assess customer satisfaction with council services. These are based on results from national surveys such as the Scottish Household Survey (SHS) and the Scottish Health & Care Experience Survey.

Exhibit 4

North Ayrshire Council performance against LGBF service satisfaction indicators 2016-19

North Ayrshire Council's satisfaction rates are above the national average in five indicators.



1.Satisfaction levels are based on three year rolled average responses to Scottish Household Surveys, with the exception of indicators marked '*'.

2.Indicators marked '*' are from the Scottish Health and Care Experience Survey and are presented for 2017/18.

Source: Audit Scotland using the LGBF satisfaction measures from 2016-19 and the Scottish Health and Care Experience Survey from 2017/18

36. The council carries out tenant satisfaction surveys every two years. The most recent survey (2018) involved 1,500 face-to-face interviews. Overall satisfaction increased by five per cent to 91 per cent between 2016 and 2018. Satisfaction improved for six of the seven key tenant satisfaction indicators. The percentage of gypsies/travellers satisfied with the landlord's management of the Redburn site declined. Although satisfaction declined, the council had achieved the June 2018 target for minimum site standards for gypsy/traveller sites set out in the Scottish Government guidelines.

37. The council also has its own satisfaction measure for overall customer service, and community participation and decision-making. Despite a decline in 2018/19, the council's performance portal shows that the customer service satisfaction measure, 'percentage of customers delighted with the overall customer service', has performed ahead of target for the last three years.

Scrutiny bodies are positive about North Ayrshire Council

38. Scrutiny bodies have reported positively on North Ayrshire Council in recent years:

- Education Scotland's inspections of Education Psychology Services (August 2016), Community Learning and Development (July 2018) and Education Services (July 2019) were generally very positive and include examples of sector-leading practice. Two of these reports highlighted the council's commitment to self-evaluation, commenting that the council's approach is robust and leads to service improvements. In 2018/19, five of the nine Education Scotland inspections of schools and early years settings were graded as 'good' or 'very good' and one was graded as 'weak'[5].

- The Care Inspectorate and Healthcare Improvement Scotland conducted a joint inspection on the effectiveness of (adult) strategic planning in North Ayrshire Partnership in March 2019. It concluded that the partnership had made progress in developing a performance reporting framework, and that it had clear strategic leadership and direction and a positive culture. Operational, strategic planning and commissioning arrangements were assessed as good, and the partnership was assessed as 'adequate' for its key performance outcomes.

- In 2018/19, the Care Inspectorate awarded North Ayrshire Council 13 'very good' or 'excellent' gradings from its 14 social care inspections, and six 'very good' or 'excellent' gradings from its seven early learning and childcare inspections. It also awarded the council and partners the highest accreditation possible for its housing support services and hostel provision.

- The Scottish Housing Regulator produces an annual landlord report for each council, which analyses performance against the standards set out in the Scottish Housing Charter. The 2018/19 report for North Ayrshire Council shows that the council is performing better than the Scottish average for all aspects of tenant satisfaction and value for money. The council is also performing better than average for five of the six aspects of quality and maintenance of homes.

- Following benchmarking against all other Scottish social landlords, the Scottish Housing Network, a consortium of Scottish social landlords, found North Ayrshire to be the top performer in terms of both level of service and value for money in 2018/19.

39. Two of the council's key committees are the Cabinet and the Audit and Scrutiny Committee. Both committees consider external reports and scrutiny where appropriate. Following the recommendations for improvement set out in the External Audit Interim Report 2018/19, the Audit and Scrutiny Committee carried out a self-evaluation to assess the effectiveness of the Audit and Scrutiny Committee. The self-assessment was based on 67 questions and 14 improvement

[5] Of the three remaining reports, two were graded as wholly 'satisfactory' and the third was graded as 'satisfactory' for two of the Education Scotland quality indicators and 'weak' for the other two indicators.

actions were identified through the exercise. The committee agreed to repeat this self-assessment on an annual basis.

Performance management arrangements are robust, clearly focused and show that the council is performing well in most priority areas

40. Performance management arrangements are strong. The council produces a range of service-level operational plans that are clearly aligned with and support the Council Plan. These operational plans define the actions being taken to achieve the council's priorities. The council has developed a range of performance measures and regularly monitors progress.

41. The council monitors and reports on 34 performance measures, including nine measures from the LGBF, which it considers key in providing a high-level overview of the council's performance against the Council Plan. These indicators are closely aligned with the Council Plan's priorities and are set out in the performance management framework. The relatively small number of indicators demonstrates focus and allows clarity of reporting. In total, the council reports on 97 performance measures through its North Ayrshire Performs portal, as part of its public performance reporting duties.

42. The council's 2019/20 mid-year progress report shows good performance against most of the 34 indicators, with only four indicators slightly adrift of their targets. Only one of 116 associated actions were reported as being significantly adrift of target, with a further two slightly adrift of target. Where performance was adrift of target, the report provided both an explanation and details of the proposed response.

43. The council is clear about what is included in each indicator and has a list of sources to ensure that progress against each indicator is measured consistently. The council has set targets which are regularly reviewed and are designed to be both ambitious but also realistic. For example:

- Ambitious five-year housing targets - a 99 per cent increase in empty homes back into use by 2024 and an additional 1,575 council houses by 2025 - reflect planned housing investments.

- The target for employee engagement was 72 per cent in 2024, based on actual performance of 71.2 per cent in 2017/18. The low stretch reflects the council's current strong performance and the council's aim is to maintain this.

44. The council also uses the LGBF as a tool to assess performance annually and track progress relative to other councils. The LGBF data for 2017/18 was analysed and reviewed by the ELT in April 2019. This formed the basis of reports that went to the council's Cabinet and Audit and Scrutiny Committee, both in May 2019. These reports showed the results of the LGBF indicators for 2017/18 and highlighted indicators which reflect council priorities. A summary of the council's performance and detailed commentary on performance, improvement activity and future aspirations were given for each indicator. The council highlighted areas of declining performance in addition to reporting on areas of good performance.

45. The LGBF family groups are groups of councils facing similar challenges based on population density and deprivation. The council compares its performance against councils in its LGBF family group for a selection of indicators that it deems to be appropriate.

The council's public performance reporting is continuously improving but there is scope to further enhance the online portal

46. The council provides a range of performance information online and has worked to improve both the content and the accessibility of information over time. Recent annual performance reports have provided a balanced view of the council's

progress towards achieving its priorities. The council highlights its key achievements and uses case studies effectively to demonstrate the impact that council initiatives are having on improving outcomes. In 2018/19, the council added an extra element to the report, named 'Areas of Focus' which details how the council plans to improve performance and deliver on its priorities in the next reporting period. The mid-year progress update 2019-20 builds on this and gives a balanced view of performance in terms of key achievements and areas of focus.

47. In addition to publishing annual performance reports, members of the public can access more detailed performance information through an online portal, North Ayrshire Performs. Performance information in the portal gives a comprehensive picture of performance across the council. The portal uses a traffic-light system which shows how the council is performing against various indicators. The council gives a balanced commentary on performance against each indicator and, where relevant, outlines the steps taken to address underperformance.

48. The overall design of the North Ayrshire Performs tool could be improved to increase usability. The tool does not have a search function and this can make it difficult to find specific performance information quickly. Moreover, the tool does not scale properly to mobile screens, making it less user-friendly.

49. North Ayrshire Council has improved its engagement with the public in relation to performance. The performance team is currently investigating the best ways to reach different demographic and social groups. The council has increased its social media presence, and these channels are being used to raise awareness of performance to a younger audience. The council also continues to use more traditional methods to share information, for example messages displayed in public buildings such as libraries and town halls.

Part 3

Is the council using its resources effectively?

The council has a good approach to financial planning, and effective financial management arrangements.

The council has a ten-year Long-Term Financial Outlook, which estimates a potential funding shortfall of £156 million over the period. This sets the context for more detailed Medium-Term Financial Plans and Annual Budgets.

The council has made good progress with its transformation agenda but faces significant financial challenges. There is a budget gap of £9.248 million in 2021/22 and £9.817 million in 2022/23 that still needs to be addressed.

The council has a history of delivering services within budget. However, detailed savings plans are not fully developed to address the predicted funding gap over the medium to long term.

The council has a good approach to financial planning, with strong engagement with elected members and communities

50. The council has a ten-year long-term financial outlook (LTFO) covering the period 2018/19 to 2027/28. This identified an estimated funding shortfall of £156 million over this period. The *'Local government in Scotland: financial overview 2018/19'* reported that only ten councils in Scotland conducted financial planning covering more than five years. The approach taken by North Ayrshire Council is a positive step to help manage the financial challenges and to make well-informed decisions which are aligned to council priorities.

51. The council's analysis highlighted the implications of changes to the underlying assumptions, estimating that the funding shortfall could be between £49 million and £264 million. The LTFO provided the context for a more detailed medium-term financial plan (MTFP) and annual budgets.

52. The latest MTFP, covering the period 2020-21 to 2022-23, builds on the previous year's MTFP and the analysis within the LTFO. The council agreed a balanced budget for 2020/21. This included planned savings of £4.330 million; however, gaps of £9.248 million and £9.817 million remain for 2021/22 and 2022/23, respectively.

53. The council engaged well with elected members and communities as part of the budget process and is continually looking for ways to improve its budget engagement.

54. The council provided elected members with an updated financial outlook for the period 2020/21 to 2022/23 in December 2019. This updated the assumptions set

out in the LTFO covering: the economic outlook; the Scottish landscape; the financial outlook for North Ayrshire; the Health and Social Care Partnership; and the council's approach to ensuring future sustainability and the alignment of resources with key priorities and the Capital Investment Programme. Officers provided information through members' seminars. The council shared information on the financial pressures it faced and options to reduce expenditure. The options were aligned with the priorities in the Council Plan.

55. The council carried out a programme of engagement with communities. These sessions were delivered by the chief executive and senior officers through November and December 2019. This engagement sought views on the new council transformation themes (discussed further in paragraph 61) to help inform the MTFP. Each savings proposal put forward as part of the 2020-21 budget was aligned with both council priorities and the new transformation themes. In addition, building on the innovative development introduced in the 2019-20 budget-setting process, officers assessed the impact that each savings proposal would have on communities, ranging from no impact through low to high negative impact to positive impact.

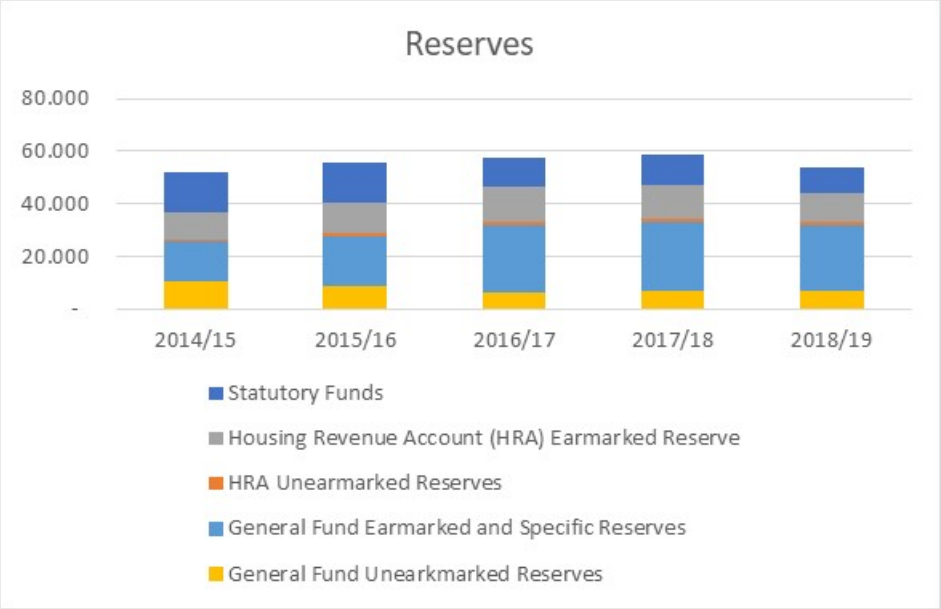
Effective financial management arrangements are in place

56. The council has effective financial management arrangements in place and has a good track record of delivering services within budget. The council reported a break-even position in 2018/19 and achieved its budgeted savings of £5.094 million. Underspending had been reported in previous years, which was carried forward and earmarked for specific purposes.

57. The council reviews its reserves policy on an annual basis, taking account of known commitments, potential liabilities and the risk profile of the council. It has used reserves in recent years when required. This included reducing unearmarked reserves to the current minimum level of 2 per cent of net expenditure (Exhibit 5).

Exhibit 5

North Ayrshire Council Reserves, 2014/15 - 2018/19



Source: North Ayrshire Council

The council has made good progress with its transformation agenda; however, it still faces a significant shortfall and detailed plans are not yet in place

58. The cabinet approved the previous transformation programme (T2) in November 2015, with an aspiration of going from "Good" to "Great" to "Leading". Activities described as transformational and which delivered savings in the short to medium-term accounted for £6.7 million over the T2 period, representing 23 per cent of the total savings delivered during that period (2015 to 2018). The remaining savings over this period, which the council did not classify as transformational, were achieved through a combination of income generation and reducing or stopping services. Transformation activities included:

- mitigating demand within a range of services including care at home
- applying digital and technology strategies to support streamlined and more efficient ways of working
- creating more efficient integrated teams to deliver a better outcome for customers.

59. In addition to identified savings, the council has plans for further development in its next stage of transformation:

- the development of organisational capacity to support transformational activity
- enhanced collaboration, to harness skills and experience from across the council
- empowering citizens, colleagues and communities to reimagine the relationship they have with the council.

60. In 2017, APSE awarded the council an award for the best efficiency and transformation initiative in the UK. The latest transformation programme, approved in June 2019, sits alongside the Council Plan and specifies projects aligned to the core transformational themes. The projects were informed by community engagement on the budget. The savings estimates for the projects identified to date amount to £15.463 million. There is therefore still a shortfall of £25.403 million (54 per cent) required to fill the gross funding gap for the period 2020-21 to 2021-22.

61. The transformation themes developed as part of the 2020/21 budget are:

- caring for people - through the Health and Social Care Partnership (HSCP)
- land and property assets
- service delivery models
- transport and travel
- charging for services
- children, young people and communities.

62. In addition to earmarking reserves for the transformation projects, the council has earmarked reserves specifically for supporting transformation and reducing the medium-term funding gap. This has largely been possible as a result of a review of loans fund advances following a change in regulation which allowed the council to revise its debt repayment timelines. While there is no change in the overall level of loans fund advances that the council needs to repay, the re-profiling of the principal and interest payments allowed the council to transfer £8.8 million to reserves.

63. The specific earmarked funds include:

- ***The Change and Service Redesign Fund (£2.3 million)*** - set up in previous years to support delivery of significant change and transformation activities.

- ***The Investment Fund (£8.8 million)*** - to support Community Wealth Building activity, deliver sustainable investment in the environment and support the economy. The council has recognised that this fund will need to cover the cost of any necessary workforce changes. Community Wealth Building is discussed in more detail in paragraph 114.

64. Given the scale of the changes required, it is important that the council ensures that an adequate supporting infrastructure is in place to deliver the changes planned. The council is refining the governance and monitoring framework to support the transformation programme for 2020/21 onwards. It already has a number of processes in place, including: monthly meetings between the chief executive and transformation theme leads and supporting chief officers, bi-monthly meetings of the Chief Officers Leadership Team (COLT), where transformation is a standing agenda item; and support from the corporate change team. The council has not yet identified the skills necessary to implement the plan. Tools and templates have still to be fully developed to assess whether the intended benefits of change have been achieved.

The capital planning process clearly aligns investments with the council's priorities

65. In its ten-year Capital Investment Strategy, the council sets out how its spending on its land, buildings, housing, and plant and equipment is intended to benefit communities and citizens. The strategy provides a framework to support the Capital Investment Programme which is updated annually as part of the budget-setting process. In 2020-21, this will be carried out alongside an update of the Capital Investment Strategy.

66. The Capital Investment Programme, approved in March 2020 and covering the period to 2027-28, included investment plans of £269 million. The most significant elements of the programme, aligned with the priorities of the council (Exhibit 6), are set out below:

- Ardrossan Community Campus (£70 million)

- the completion of a school for those with additional support needs (£17 million)

- Moorpark Primary School (£9.2 million)

- Montgomerie Park School (£9.6 million)

- Upper Garnock Flood Protection Scheme (£14.9 million)

- Millport Coastal Flood Protection Scheme (£26.8 million)

- Ayrshire Growth Deal projects (£49.8 million).

Exhibit 6
Capital investment is clearly linked to the council priorities

Council Plan 2019-2024 Priorities	Sum of Investment (£ million)
A Council for the Future	**6.201**
An efficient Council that maximises resources and provides value for money	6.201
Aspiring Communities	**87.985**
Children and young people experience the best start in life	83.462
Inclusive, growing and enterprising local economy	0.431
Residents and communities are safe	0.092
Residents and communities enjoy good life-long health and wellbeing	4.000
Inspiring Place	**174.952**
A sustainable environment	53.373
Homes that meet residents and needs	4.600
Vibrant, welcoming and attractive environment	0.744
Well connected and effective infrastructure	116.235
Total Investment (2020/21 to 2027/28)	**269.138**

Source: North Ayrshire Council

The council has significantly improved its procurement arrangements

67. The council has significantly improved its procurement arrangements since the previous Best Value report in 2011:

- A corporate procurement strategy is in place (last updated in December 2018). This highlights the council's aim to make smarter use of its resources and recognises that procurement is an essential part of support services across the council.
- In accordance with the Procurement Reform (Scotland) Act 2014, the council publishes an annual report on its procurement. This reviews whether its procurement complies with its procurement strategy and highlights any areas for future development.
- Scotland Excel carried out a focused Procurement and Commercial Improvement Programme assessment of the council in December 2018 as part of its second round of such assessments of local authorities in Scotland. The council received an overall score of 77 per cent, placing it in the highest performance band.

The council has a coordinated approach to workforce planning and is developing workforce plans to support transformational change

68. The council carries out workforce planning at service level, with guidance in place to direct a consistent approach throughout the council, while also allowing flexibility for individual service needs. The HR team review plans to ensure the guidance is being applied consistently. It has completed PESTLE (political, economic, social, technological, legal and environment) analysis, which will help the council understand external factors which can impact on strategies and future plans. Templates have also been prepared for each service outlining areas of known growth or decline together with factors relating to talent and succession consideration. The council has also developed an approach to help it determine if the ratio between the number of direct line employees to managers is appropriate. This is used during service reviews and service redesigns and is amended as appropriate to different services.

69. The ELT receive regular reports from HR on progress with workforce planning carried out at service level. This allows senior management to have a clear oversight on the challenges and opportunities across the council including redeployment to areas with specific need. Examples of successful redeployment include:

- Following the Community Warden Service ceasing, the council redeployed five Community Wardens into a new Environmental Team.
- The Trainee Early Years Practitioner (EYP) Programme provided an opportunity for staff across the council to retrain as an EYP. Twenty-nine employees successfully completed the programme and took up posts from July 2019 which contributed to the workforce planning needs of the early-years expansion programme.

70. Service workforce plans are at different stages of development. As future service models emerge from the council's transformation activity, the workforce plans will be developed further. Services utilise data such as demographic projections and workforce costs, to inform decisions on the current and future workforce, and to ensure alignment with the council's financial challenges and transformation activity. Clear alignment is needed with the council's transformation projects, to allow the council to have information on the numbers, cost and skills of the current and desired workforce and facilitate the transition from the current workforce composition to the desired workforce.

The council has taken a "grow your own talent" approach in response to difficulties with recruitment and retention

71. In specific areas where it has faced difficulties with recruitment and retention, the council has applied a "grow your own talent" approach. Examples of this across the council include the following:

- In response to the nationwide deficit in qualified and experienced planners, the planning service re-designated planning officer posts to planning assistants and recruited new graduates. The council continuously support staff development which has resulted in successful progression within the team.
- A restructure within the payroll team has created entry-level posts and a career path to allow progress into more senior roles within the payroll team.
- Within education, the council is encouraging probationers to stay, promoting career changes into early years education and working to upskill teaching assistants.

72. The previous chief executive left in 2018 through voluntary early retirement. As part of this process the council proposed a wider restructure to streamline the extended executive leadership team and to align it with the structure of the council plan. This was supported by a business case setting out the financial and legal implications, with overall savings at that time estimated to be around £258,000. The costs associated with the departure of the previous chief executive were £29,000.[6] While the savings to the council were recurring savings, the costs associated with the departure of the chief executive were a one-off. The final decision for the wider restructure was left to the new chief executive.

73. To ensure succession planning, the previous chief executive had been developing and coaching executive directors on various aspects of the role of the

[6] 2018/19 Annual Audit Report, Deloitte

chief executive. An internal recruitment process was therefore conducted targeted at executive directors. If this process had been unsuccessful, it would have then moved to a full external recruitment process. While there are disadvantages to restricting the pool to internal candidates, as reported in paragraph 22, the ELT is effective

74. The wider restructure has taken longer than initially anticipated, with a two-phase implementation plan agreed. Phase 2 is due to be fully implemented by the end of June 2020, and takes account of further changes in senior posts, with savings now estimated to be around £400,000.

75. The council has used a series of tools and approaches to develop leadership capacity, including the following:

- Its Leadership Academy was set up to develop the council's leadership capacity. It provides skills, knowledge and behavioural development for leaders at all levels.

- In 2018, the council introduced a “Blue Wave of Change” programme, to further develop strategic leadership. It involves fundamentally changing leadership thinking, integrating more effective team working, with a view to improving the experience of people who use council services. Case studies are now being shared with teams across the council.

- The council is introducing its 'Connected Leadership' programme in April 2020, to build on the work initiated through the "Blue Wave of Change" programme. The programme will continue to focus on the council's overall leadership development, to help support delivery of the Council Plan priorities.

76. Staff feel valued and speak positively about working for the council and about its supportive culture.

77. The 2019 staff survey showed a response rate of 46.2 per cent compared with 35.5 per cent in 2017 and the percentage of staff that felt they were engaged stayed consistent at 71 per cent. Four engagement factors are used to measure engagement:

- Identification: How much employees relate with what the council aims to achieve

- Advocacy: Whether employees speak positively about the council

- Retention: How much employees want to stay with the council

- Commitment: The drive to go above and beyond what is required for the good of the council.

78. Similar areas of strength to previous years were noted from the 2019 survey, including clarity and purpose of job roles, teamwork, effective relationships, development opportunities, terms and conditions, support available and flexible working.

79. Since the initial survey in 2012, the council has identified a series of key themes for improvement and carried out related actions. This is reflected in the improved results in 2019. Specific examples include:

- Previous surveys highlighted the effectiveness of communication from managers as an area for improvement. Actions taken to ensure employees receive consistent information include creation of focus groups, new staff news website and use of digital methods of engagement and communication. As a result of these actions, the percentage of employees

responding positively to effectiveness of communication has increased from 49.6 per cent to 61.9 per cent.

- Manager skills in communicating, motivating and developing employees was identified as an area for improvement in 2012. The council introduced its Leadership Academy, Leadership Conferences and platforms to encourage managers to share learning and support each other. This was not identified as an area of improvement in the 2019 results.

80. The 2019 survey also identified areas for improvement, particularly around staff having sufficient time to do their job and multiple demands on their time. The detailed findings from the 2019 survey were shared with senior staff in late November 2019 and senior managers are working with teams to identify strengths and areas for improvement relevant to their own areas.

Part 4

Is the council working well with its partners?

The council is working effectively with its partners to improve outcomes and address significant challenges.

The CPP works well as a partnership. There is a clear sense of ownership of the vision and an established culture of working together to address priority areas.

The council is committed to community empowerment and its work to mainstream community input into day-to-day decision-making is recognised nationally. Despite challenges, the council has worked to engage with hard-to-reach groups.

The council is working with partners to tackle the region's economic challenges through, for example, the Ayrshire Growth Deal and the business-led Team North Ayrshire.

The council and NHS Ayrshire and Arran have a strong partnership. The IJB works well despite financial challenges and is improving outcomes for local communities.

The CPP has a clear strategic direction and partners are committed to working together to improve outcomes

81. Our 2011 Best Value report on North Ayrshire Council noted that the council and its partners worked well together and had a shared vision. It also identified three recommendations for improvement, which were to:

- develop a set of principles and framework for effective partnership working including performance indicators to measure overall effectiveness
- undertake a governance review of the CPP to further improve its effectiveness and secure increased elected member involvement
- work with partners to prioritise and refine the performance indicators used.

We carried out a separate audit of community planning in North Ayrshire in 2013 and found evidence of improvement. Since then, the CPP has carried out significant improvement work and has made good progress against the 2011 recommendations.

82. The CPP agrees performance indicators and targets, and these are clearly aligned with the ambitions and outcomes identified in the LOIP and the Council Plan. Performance is reported annually, and action is taken when performance is below target.

83. Elected member engagement with the CPP is well established. Eight elected members sit on the CPP board, and all elected members are kept informed of CPP activity through briefings.

84. The organisations represented on the CPP board membership are: [to be made into text box]

- Job Centre Plus
- NHS Ayrshire & Arran
- North Ayrshire Council
- Scottish Enterprise
- SDS
- Strathclyde partnership for transport
- Scottish fire and rescue
- Police Scotland
- Third Sector Interface
- Ayrshire College
- KA Leisure (ALEO)
- North Ayrshire health and social care partnership.

85. Positive working relationships continue to be central to the work of the CPP. The CPP Senior Officers Group - which comprises senior members of the partnership's organisations such as chief executives and directors - meets regularly. Members are enthusiastic about working together and sharing knowledge and feel supported by the CPP and the council. The Senior Officers Group makes use of an activity tracker which makes responsibility for each CPP initiative clear and ensures that all priority areas are subject to appropriate scrutiny and review. Case study 2 provides some examples of the council's work with its partners to improve jointly agreed outcomes.

Case study 2 - Examples of CPP joint working initiatives

- A Working North Ayrshire

  Skills for Life is a programme aimed at helping long-term unemployed lone parents who had not been in education or training for some time. Participants attend a skills and training academy at Ayrshire College, gaining SQA (Scottish Qualifications Authority) qualifications. They then progress to a 26-week work placement with the council to gain work experience. Outcome: 78 per cent of participants secured employment or enrolled in further education after completing the programme.

- A Safer North Ayrshire

  Operation Moranda is a joint campaign between Police Scotland and the council's protective service, aimed at protecting people targeted by fraudulent tradespeople and online and telephone scammers. The operation involved police and council officers engaging with 1,700 residents and providing them with preventative advice. Call blocking devices were also provided to vulnerable residents.

- A Thriving North Ayrshire

  'Bullying - it's never acceptable' is a strategy devised by young people, parents, carers and education staff, and provides advice to North Ayrshire schools to ensure that there is a consistent and structured approach to dealing with bullying across all educational institutions.

86. The CPP has an effective governance structure that facilitates the identification and delivery of priority outcomes. Engagement with communities and the third sector is enhanced through the Third Sector Interface, which is a member of the CPP Board and has a representative in the Senior Officers Group. It also chairs the CPP's Community Engagement Network.

CPOP analysis shows a general trend of improvement but there are areas where North Ayrshire falls behind the Scottish average

87. The CPP submits data to the Improvement Service's Community Planning Outcomes Profile (CPOP). The CPOP is a collection of measures designed to help determine whether residents' lives are improving. These measures are also known as outcomes.

88. North Ayrshire's performance across the range of CPOP indicators shows a general improvement in outcomes over the ten years 2007/08 to 2017/18 (Exhibit 7). Performance is below the national average for employment indicators and some health indicators (increasing emergency admissions rates and unplanned hospital attendances), reflecting demographic and economic challenges. These are priority areas for the council and partners.

Exhibit 7

Change in performance for North Ayrshire's community planning outcomes, 2007/08 - 2017/18

	Indicator	North Ayrshire 2017-18	North Ayrshire absolute change	Scotland 2017-18	Scotland absolute change
Health	% of Babies with a Healthy Birthweight	89.9	1.9	90.1	1.0
	Primary 1 Body Mass Index (%)	81.7	- 1.9	84.3	0.1
	Emergency Admissions	29,313.6	3,297.1	25,614.6	907.5
	Unplanned Hospital Attendances	28,460.1	724.1	24,928.7	- 1,380.2
	Early Mortality	445.5	- 116.3	425.2	- 91.6
Education	Educational Attainment	5.5	0.2	5.5	0.1
	Positive Destinations (%)	93.1	7.2	94.1	7.6
Employment	Employment Rate (%)	66.5	- 1.4	73.6	- 0.2
	Median Earnings (£)	441.0	99.0	442.3	81.4
	Out of Work Benefits (%)	15.5	- 1.8	10.9	- 2.8
	Business Survival (%)	62.4	- 0.4	60.4	- 6.5
Community safety	Crime Rate (per 10,000)	449.7	- 296.2	450.2	- 343.1
	Dwelling fires (per 100,000)	119.3	- 11.2	98.0	- 34.4
Environment	Carbon Emissions	6.1	- 4.2	4.4	- 4.4
Other	Fragility Index	107.5	5.0	101.7	1.9
	Well-being	24.8	- 7.6	24.4	- 0.7
	Fuel Poverty (%)	26.3	- 26.2	27.3	- 21.6
	Child Poverty (%)	23.3	- 1.5	16.0	- 4.1

Note: the publication on 2018/19 data was delayed due to disruption caused by Covid-19. At the time of this report, the Improvement Service has not indicated when the 2018/19 data will be published.

Source: Audit Scotland and Community Planning Outcomes Profile, Improvement Service, 2017/18.

The council is committed to community empowerment and is recognised as a sector leader

89. The aim of the Community Empowerment (Scotland) Act 2015 is to encourage and empower people to be more engaged with local politics and policy. At the heart of this is an intent to reduce disadvantage and inequality. The council seeks to embed community engagement and empowerment in every-day business, and to allow communities and elected members to have equal access to local decision-making.

90. Some examples of the council's commitment to community empowerment include:

- 150 staff from CPP bodies have been trained in best practice community engagement techniques.
- The council and its communities are working together to develop a community charter. This is intended to establish a new relationship between communities and the council, including how the council serves and empowers its communities.
- There is good communication through the CPP website including the publication of plans, meeting papers and events calendars. Each locality partnership also has its own Facebook page.
- The council worked with the Consultation Institute to develop an approach to developing locality partnerships that enabled co-design and co-delivery with communities.

91. The council approved the terms of reference for six locality partnerships in 2016. Membership of all six consists of an equal number of elected members and local people, as well as CPP representatives and a senior lead officer. The LOIP outlines how the partnership priorities address the CPP's Fair for All strategy.

92. The locality partnerships have all produced locality plans, which include actions intended to address their priorities. Most actions incorporate timescales and designate groups responsible for delivery including community stakeholders and partnership organisations, but some could be clearer about the impact they are expected to achieve. While all plans were published, they are not all still available online and are not all easily accessible.

93. Examples of locality partnership work include:

- Over 400 people took part in workshops in 2017 to identify priorities for locality plans.
- Over £1.4 million of Community Investment Funding has been agreed by locality partnerships, leveraging in over £0.9 million in external funding.
- The North Coast locality partnership funded a £100,000 skatepark to support its priority for young people's health and wellbeing.

94. There are many examples of the council transferring money, assets, and power to communities, including:

- The council published its community asset transfer policy and guidance on its website in 2017. The Council Plan reports that, to date, 18 asset transfers have been successfully completed and sustained. One successful transfer is Fullarton Community Hub, which is run by members of the community and includes facilities such as an employability hub, a youth club space, and a community café.

- The council earmarks portions of service budgets for participatory budgeting. Street Scene, which is the council's grounds maintenance service, allocated £750,000 of its budget to participatory budgeting. This approach was piloted in the Three Towns locality and received over 600 responses, with six key ideas being implemented.

- The Alcohol and Drugs partnership allocated £50,000 to engage with people with experience of substance misuse and identify new ideas and suggestions to tackling drug misuse.

- Over 250 people attended workshops and over 600 engaged digitally to restructure library services, using the available £1.4 million resource budget to reshape library opening hours to better suit the needs of local communities.

95. The council is working to mainstream participatory budgeting in its everyday business. The council's approach is recognised by COSLA, the Local Governance Review Team and the Scottish Government as good practice and earned the council a place in the finals in the 2017 APSE awards.

The council proactively engages with communities, including hard-to-reach groups

96. The council has engaged well with specific groups. For example, the council's Tenant Information Service holds a gold accreditation for the work it does in partnership with North Ayrshire communities. The local youth panel has taken on a lot of responsibility and receives good support from the council. The council uses a variety of techniques to get community feedback, including "Chit-Chat", an informal way for people to discuss local issues with the council face-to-face.

97. The council strives to engage well with some of its most vulnerable communities, including people who are long-term unemployed or who have issues with substance misuse. Where possible, the council seeks to identify people who can act as advocates for these under-represented groups. This has worked well in some cases, for example, engagement with Syrian refugees.

98. In response to a sharp increase in drug-related deaths in 2019, the North Ayrshire Alcohol and Drugs Partnership (ADP), a multi-agency group committed to reducing drug and alcohol misuse, took the following actions:

- Held a summit in January 2020 to discuss potential ideas for interventions. There were 120 attendees who were either CPP members or who were members of the community with experience of substance abuse.

- Recruited several peer recovery workers onto its staff. These are people with experience of substance misuse. The peer recovery workers have allowed better engagement with people who have substance misuse issues. The ADP plans to expand this programme.

The council is working well with partners to improve the economy

99. The council has a clear understanding of the economic challenges that exist within North Ayrshire and published the Economic Development and Regeneration (EDR) strategy in 2010 to address them. The council recognised from the outset that private sector participation would be key to the successful delivery of a strategy. The strategy was developed by the EDR Board, which includes members from the private, public, and third sectors. The revised 2016 strategy's mission, 'to have created the most improved local economy by 2025', is supported by four strategic outcomes and six strategic objectives. The board reviews progress twice a year, and approves new action plans every two years.

100. One of the strategy's flagship initiatives is Team North Ayrshire (TNA). TNA was developed to address North Ayrshire's job density figure of 0.5 (one job for

every two people of working age population), by providing local businesses with tailored support to help them develop and grow. Businesses are given a single point of contact from which they can access all the support available to them through the council and other EDR partners. The support package is customised to meet specific business or sector needs.

101. The approach provides tailor-made support that reflects the specific needs of businesses, and an external evaluation conducted in 2018 showed that TNA delivered £19 million in additional wages, £39.5 million in GVA and 590 jobs. The model is recognised as best practice by the Scottish Government and is an APSE award-winner.

102. The Ayrshire Growth Deal (AGD) is another key component of the EDR strategy. The Growth Deal was developed by the Ayrshire Regional Economic Partnership. It represents a £250 million investment across North Ayrshire, East Ayrshire and South Ayrshire and addresses local economic challenges with its strong focus on inclusive growth. The council worked closely with a range of partners to develop the proposal for the Growth Deal.

103. The Ayrshire Economic Joint Committee is responsible for the governance of the Growth Deal and the Ayrshire Regional Economic Partnership. The committee has 13 members, including three from each council, as well as representatives from the education and business sectors, Scottish Enterprise, and Skills Development Scotland. There is also a subcommittee which has higher levels of representation from the business and education sectors.

104. The AGD has yet to be signed off, so it is clearly too early to report on the progress of deal projects. There is a strong collaborative ethos, however, within the Ayrshire Regional Economic Partnership, and members from all sectors are committed to the development and delivery of the deal.

The council and the NHS have a well-established partnership, strengthened by the North Ayrshire Integration Joint Board

105. North Ayrshire was one of the first areas in Scotland to form an IJB, in April 2015, and there is strong partnership working between the council and NHS Ayrshire and Arran as well as work pan-Ayrshire. The IJB is committed to continuous improvement and performed a self-evaluation against the Ministerial Strategic Group Review in May 2019. This identified improvement actions locally to increase the pace of transformation. These actions included:

- A pan-Ayrshire review developed the approach to 'Directions'. These tell the health board and council what the IJB will deliver with the integrated budget and so help empower IJBs to use the totality of resources at their disposal to better meet the needs of the population. This approach was supported by the Scottish Government and resulted in guidance being issued to all IJBs by the Scottish Government in January 2020.

- Ayrshire and Arran was identified as a pilot board area to develop arrangements to fully implement the requirements for NHS boards to set aside a budget for large hospital services that are used by the associated IJB population (often referred to as the 'set aside budget').

106. The IJB has made good progress and there are examples of changes to models of service delivery designed to improve outcomes for residents. These include:

- the pan-Ayrshire model for enhanced intermediate care and rehabilitation focussed on high quality care and support through early intervention and prevention action

- the Trindlemoss facility, which is discussed in case study 3
- Kilwinning Academy, which piloted basing a child and adolescent mental health services (CAMHS) worker and social worker in the school, with a focus on early intervention and preventing crisis; after a significant fall in crisis interventions and referrals this pilot is now being rolled out to other schools.

Case study 3
Trindlemoss

The IJB has developed a new model of service delivery for learning disability day services, designed to improve local outcomes and achieve financial savings.

A new, state-of-the-art day centre with residential accommodation was opened in January 2020 for North Ayrshire residents with learning disabilities. Run by the Health and Social Care Partnership, Trindlemoss will offer people with learning disabilities the chance to take part in a host of activities and learn new skills, as well as offering hydrotherapy, sensory experiences and outdoor spaces.

Part of the former Red Cross House at Tarryholme Drive in Irvine, Trindlemoss has been newly extended and fully refurbished to provide inclusive and enabling day activities in the heart of the community.

The central location of the facility will provide residents with opportunities to get involved in local activities, with plans for open days and community events at which activities can be shared with the community.

Estimated capital expenditure for this project is £7.402million, which is being funded by both the council and NHS.

Savings of £578,000 were budgeted for 2019-20. These savings have not been fully achieved, however, because of a delay in the project. The estimated full-year saving is £848,000 across the council and the NHS.

Source: North Ayrshire Health and Social Care Partnership

107. In response to the need to increase the pace of delivery of transformation, the IJB is progressing its "Think Different, Doing Better" experience. This is an innovative approach to engaging with all staff and community groups. The objective is to empower them to meet individual outcomes in a more creative, person-centred way. The ideas and outputs from each session are being collated and will be used to determine how services will look like in the future.

108. The financial position of the IJB continues to be challenging. Because of overspending in previous years, there is an outstanding loan amount of £5.1 million owed to the council. Repayment is unlikely in 2019/20 because of ongoing pressures within the IJB. The council has increased its level of scrutiny of the IJB's financial position, with regular reports to the council's Cabinet and to its Audit and Scrutiny Committee.

Part 5

Is the council demonstrating continuous improvement?

The council has a strong culture of continuous improvement. It has significantly improved and has maintained progress since the last Best Value report in 2011

Continuous improvement is embedded in the council's culture. Staff play an active role in identifying areas for improvement and are empowered to make changes.

The council has developed a clear link between plans, actions, spending and outcomes. Improvement activity is aligned with priorities and there is evidence of improvement activity resulting in better outcomes for residents.

The council has a flexible approach to continuous improvement which is resulting in improved services and outcomes

109. The council has made a deliberate decision not to have systematic service reviews. Instead, reviews are prompted by poor or declining performance, potential opportunities for transformation, external scrutiny and staff suggestions. Continuous improvement activity is focused, and evidence led. Decision-making is data driven. The council uses data to identify areas for improvement (for example the speed at which new child protection cases are investigated) and to inform changes to service delivery (e.g. to inform changes to library opening times).

110. The council uses a framework of tools and regular activities to monitor performance and identify areas for improvement. These are:

- Progress monitoring - ongoing monitoring of progress against the Council Plan, operational service plans, individual work and development plans and financial plans. Quarterly Council Plan updates involve peer challenge, normally led by the chief executive, and annual progress reports are produced by each directorate.
- Performance monitoring - all progress monitoring reports contain performance data. In addition, trends are monitored on a quarterly basis by the performance team. This is taken to ELT for discussion and action as required. The council also monitors performance against the Council Plan delivery framework.
- Benchmarking - the council compares its performance with other councils and identifies areas for improvement. It uses the LGBF for some indicators and Insight and APSE where more appropriate.

- Self-evaluation - the council uses the Public Sector Improvement Framework and an EFQM tool for self-assessment. It also uses 'How Good is our…' self-evaluation frameworks to assess the performance of specific services such as schools and libraries.

- Lean reviews - the council has invested in Lean Six Sigma training for managers and staff. This quality improvement methodology is intended to enable staff to lead improvement processes and eliminate waste.

- External audits and inspections - the council acts on reports and recommendations from external bodies. For example, in its 2018/19 Annual Audit Report, the auditor found that there were effective governance and scrutiny arrangements in place and a culture of openness and transparency.[7] The auditor recommended that, to ensure that the governance and scrutiny framework continually improves, the council should consider an annual self-assessment of governance arrangements. The council introduced this assessment in 2019/20.

- Community and customer views - the council regularly engages with communities on a range of issues (see Part 4 for more information) and reviews customer complaints. Council services also gather customer views and feedback through a range of methods such as tenants participation groups, Consul (an online tool) and the People's Panel surveys.

- Staff suggestions also drive improvement activity at the council. The council encourages staff to question, challenge and collaborate to improve services and outcomes. Staff are empowered to make changes that improve the way services are delivered. This has given the council a very real culture of continuous improvement. There is an ethos of going from 'good to great' among staff.

111. The council's efforts to continually improve services and outcomes is resulting in good services. North Ayrshire council has been recognised by Education Scotland, the Scottish Housing Regulator and the Care Inspectorate for its good work across a range of services. The Association of Public Sector Excellence (APSE), which considers the quality of frontline services provided by all UK councils, named North Ayrshire Council the council of the year in 2017. In 2018/19, the appointed auditor concluded that the council's approach to focused performance improvement in specific areas is effective, as evidenced by the improvement in local performance indicators.[8]

112. The council's focus on continuously improving priority areas runs through its work. This can be seen in the council and Community Planning Partnership's work to reduce child poverty, which is explored in greater detail in case study 4.

Case Study 4
Tackling child poverty in North Ayrshire

North Ayrshire has one of the highest rates of child poverty in Scotland. In order to tackle this issue, the CPP and the council have increased their focus on child poverty in recent years. In 2017/18, the council led the way in becoming a 'Child-Centred' council and celebrated the Year of Young People in 2018, which was aimed at giving young people new opportunities, celebrating their achievements and giving them opportunities to influence decision making on issues affecting their lives. Young People were included in developing the Year of Young People activities.

[7] 2018/19 Annual Audit Report, Deloitte

[8] 2017/18 Annual Audit Report, Deloitte

The council and the CPP have focused their efforts across a range of services, in the short and longer term, to address child poverty, and examples include:

- The Skills for Life Programme supports long term unemployed lone parents into employment, giving them a six-month mentored vocational placement within the council.
- The We Work for Families programme is a specialist employability and skills service for vulnerable families.
- As part of the Scottish Attainment Challenge, the council set up the Professional Learning Academy (PLA) in November 2016. The prime purpose of the PLA is to support class teachers to close the poverty related attainment gap by ensuring their practice is of the highest quality.
- The renewal of Free School Meals and the School Clothing & Footwear Grant is now an automated process. This has helped to reduce the cost of processing applications while simultaneously improving outcomes for some of the poorest families in North Ayrshire by giving them access to a benefit they are entitled to at the earliest opportunity.

Research conducted by the End Child Poverty Coalition indicates that the number of children living in poverty in North Ayrshire fell from 30.4 per cent of children in 2016/17 to 26.6 per cent in 2017/18.

Audit Scotland, 2020.

The council takes an innovative approach to addressing some of its biggest challenges

113. The council seeks external advice and support when needed. For example, the Fraser of Allander Institute's North Ayrshire economic review in 2018 noted that councils have limited tools available to them to improve economic outcomes and drive inclusive growth, and that central government investment and support is needed to create fundamental shifts in regional economic outcomes. The council believes that it needs more central government support to address the deep-rooted challenges in the local economy. However, it is using the tools that it does have in innovative ways, to maximise the pace of change and deliver improvements.

114. The council, along with the CPP, has explored different options from around the world to address its approach to economic development and believes that the Community Wealth Building (CWB) model is well suited to the economic environment in North Ayrshire. CWB is an innovative economic model that is designed to improve outcomes in areas affected by high levels of economic deprivation and low job density.

115. The CWB concept is centred on the idea of 'anchor institutions', which are defined as institutions with a fixed geographical presence in a region. These include councils and the NHS but can also include private sector companies and charities. The CWB model relies on anchor institutions using the levers that are available to them to improve wellbeing and increase levels of inclusion at a local level. It identifies five pillars that anchor institutions can utilise to harness change:

- Procurement: increase local procurement and develop local supply chains
- Fair employment: recruit from lower income areas and improve scope for employee progression
- Land and assets: seek uses for underused land and assets to help communities
- Financial power: Invest locally, encouraging regional and national institutions to invest too

Community Wealth Building was developed in Cleveland in 2007. The Centre for Local Economic Strategies, CLES, defines Community Wealth Building as a 'people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people'. Preston council was the first UK council to adopt the approach, in 2011.

- Plural ownership: promote the local economy through a variety of business models.

116. At the time of writing, the council was finalising its CWB strategy for 2020-2025. While the council had been pursuing some elements of the strategy previously, such as Skills For Life (see Case Study 2, page 29) and the promotion of the Living Wage, the strategy brings these together and makes clear that CWB is a strategic priority for the council, and emphasises the role that anchor institutions have to play in its delivery. The strategy is designed to help deliver key priority outcomes and performance measures in the Council Plan and LOIP.

The council has significantly increased its pace of improvement since our last BV in 2011 and this has been maintained.

117. The 2011 Best Value report concluded that the council did 'not have a culture of continuous improvement systematically embedded across the organisation' and raised concerns about the capacity of the council to drive change. It highlighted that the council was embarking on an ambitious change programme to become 'a leaner, more innovative and flexible organisation which is better able to respond to the future change and challenges' but that there were risks that the council lacked the skills needed to achieve this.

118. The report identified two areas for improvement related to continuous improvement:

- The council needs to ensure that it develops internal capacity for its improvement agenda and embeds improvement in its culture in the medium and longer-terms.

- Elected members and senior officers need to show leadership to ensure that a culture of continuous improvement is developed across the organisation.

119. We found a strong culture of continuous improvement, driven by effective evidence and staff who are empowered to make decisions in their area and to propose changes. The council has delivered on its ambitions in 2011 and is now a lean, flexible and innovative organisation. The council has worked to improve the skills and capacity of its staff at all levels. There is collaboration and a culture of shared learning across the council. Staff are key to improvement activity at the council and are supported by a strong ELT and fully engaged elected members. The council uses data and staff suggestions to identify and improve outcomes in line with priorities. The council has made significant progress since 2011 (Exhibit 8).

Exhibit 8

Comparison of Best Value judgements

A comparison of Controller of Audit judgements in 2011 and 2020 shows that North Ayrshire Council has made significant progress since 2011.

Controller of Audit judgement 2011	Controller of Audit judgement 2020
Strategic direction	
The council has recently strengthened its leadership arrangements with officers and members working better together. Political leadership is improving through more cross-party working.	Elected members and the ELT have set a consistent, clear vision and direction for the council. Elected members, across all parties, and the ELT work well together, and are committed to the successful delivery of the council's priorities.
Performance	
There are some areas of good performance in the key services of education, social work and housing. The condition of local roads and the use of sports and leisure facilities need to improve. Performance management arrangements are underdeveloped.	Council performance over the last five years has been improving, although it has levelled off in the last year. Priority areas are generally performing well. Performance management arrangements are robust and clearly focused on priority areas.
Resources	
The council is improving its approach to resource management. Some key financial plans and processes are in place but there is not an overarching financial strategy to support medium and long-term decisions. Workforce planning is improving and there is good alignment between it and the change programme. Significant improvements are still needed in tendering and procurement and asset management.	The council has a good approach to financial planning, and has effective financial management arrangements in place, including a 10-year financial outlook. There are no longer concerns about asset management or procurement at the council. The council has a coordinated approach to workforce planning and is developing plans to support transformational change. The council faces significant financial challenges and needs to increase the pace of its transformation agenda. The council has invested in an invest to save fund, which is welcomed.
Working with partners	
The council shares a clear strategic focus with its partners on addressing the challenges they face. There are tensions in the relationship between the council and NHS Ayrshire and Arran.	The council works well with a range of partners, is strong on multi-agency working and has a good relationship with NHS Ayrshire and Arran. The CPP is particularly strong and the IJB is engaging innovatively to improve outcomes.
Community empowerment	
The council has introduced arrangements for consulting with its service users. It needs to ensure these are embedded across the organisation.	The council has a strong focus on community empowerment. Its approach to embedding community empowerment into everyday council business has been recognised nationally.
Continuous improvement	
The Chief Executive is leading a challenging change programme and has brought renewed vigour in improvement activity across all services. It is at the early stages of implementation and is not consistent across the organisation. The council does not have a culture of continuous improvement.	The council has built on the early progress noted in 2011. The council now has a strong culture of continuous improvement driven by evidence and genuine staff empowerment. The council has significantly increased its pace of improvement since 2011, and this increase in pace has been maintained.

Source: Audit Scotland.

Recommendations

Recommendation 1: The council should fully develop and deliver detailed transformation plans to meet the current estimated funding shortfall. To achieve this, it should ensure sufficient arrangements are in place to support, monitor and deliver the expected outcomes. This includes:

- **Developing the transformation themes into projects and further developing the governance arrangements to ensure the council has the skills needed to implement the next stage of transformation.**
- **Developing a robust benefits realisation tracker to assess whether the council has achieved its aims.**

Recommendation 2: The council must evolve workforce planning across all services, and clearly align service workforce plans to the transformation projects, in order to:

- **Identify the numbers, cost and skills of the current and desired workforce.**
- **Effectively facilitate the transition from the current workforce composition to the desired workforce.**

Recommendation 3: The council should work with locality partnerships to make clear what the intended impacts are of locality plans and make them publicly available.

Recommendation 4: The council should review its Public Reporting online portal, North Ayrshire Performs, to make it more user friendly and accessible.

Appendix 1
Best Value audit timeline

Council's journey

March 2011– North Ayrshire Council: the audit of Best Value and Community Planning:
The council has shown an increased commitment to providing Best Value, but for some of its improvement activities, it is too early to judge how effective they will be. The council's overall performance is satisfactory, and it has fair prospects for future improvement.

May 2012 - Scottish Local Elections:

SNP form a minority administration.

2017 - North Ayrshire Council win Best UK council at the 2017 APSE Awards.

May 2017 - Scottish Local Elections:

Labour minority administration formed. Elected members - 11 Scottish Labour; 11 SNP; 7 Scottish Conservatives and 4 Independents.

2018 - Appointment of new chief executive:

The new chief executive was announced in September 2018 after the previous chief executive announced she was retiring after nine years in the role.

June 2019 - Transformation Plan approved:

Plan was approved at a meeting of North Ayrshire Council on 26 June. Phase one of the restructure to be completed in 2019-20 and Phase two to be completed in 2020-21.

June 2020 – Best Value Assurance Report:
The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first of its kind. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities.

North Ayrshire Council

Best Value Assurance Report

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