



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Audit and Scrutiny Committee

A Meeting of the **Audit and Scrutiny Committee** of North Ayrshire Council will be held in the **Council Chambers, Ground Floor, Cunninghame House, Irvine, KA12 8EE** on **Tuesday, 28 May 2019** at **10:00** to consider the undernoted business.

1 Declarations of Interest

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

2 Minutes

The accuracy of the Minutes of the meeting of the Audit and Scrutiny Committee held on 26 March 2019 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973 (copy enclosed).

3 Ministerial Strategic Group Review of progress with the Integration of Health and Social Care - Self Evaluation

Submit report by the Chief Finance and Transformation Officer on the self-evaluation undertaken to rate progress against the Scottish Government's Review of progress by integration authorities (copy enclosed).

4 Local Government Benchmarking Framework

Submit report by the Chief Executive on the Local Government Benchmarking Framework indicators for 2017/18 (copy enclosed).

5 Equality Mainstreaming and Outcome

Submit report by the Chief Executive on the Equality Mainstreaming and Equality Outcome Reports 2017 – 2018 (copy enclosed).

- 6 Annual Governance Statement**
Submit report by the Executive Director (Finance and Corporate Support) on the Council's Annual Governance Statement for 2018-19 (copy enclosed).
- 7 Strategic Risk Register**
Submit report by the Executive Director (Finance and Corporate Support) on the Council's Strategic Risk Register (copy enclosed).
- 8 Accounting Policies**
Submit report by the Executive Director (Finance and Corporate Support) on the Council's Accounting Policies (copy enclosed).
- 9 Internal Audit Annual Report**
Submit report by the Executive Director (Finance and Corporate Support) on the work of Internal Audit during 2018-19 (copy enclosed).
- 10 Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update**
Submit report by the Executive Director (Finance and Corporate Support) on the progress made by Council services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2019 (copy enclosed).
- 11 Internal Audit Reports Issued**
Submit report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed during March and April 2019 (copy enclosed).
- 12 Corporate Fraud Annual Statement**
Submit report by the Executive Director (Finance and Corporate Support) on the work carried out by the Corporate Fraud Team during 2018-19 (copy enclosed).
- 13 Urgent Items**
Any other items which the Chair considers to be urgent.
- 14 Exclusion of the Public - Para 1**
Resolve in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.
- Non Disclosure of Information**
In terms of Standing Order 19 (Disclosure of Information), the information contained within the following report is confidential information within the meaning of Section 50A of the 1973 Act and shall not be disclosed to any person by any Member or Officer.

14.1 Corporate Fraud Reports Issued

Submit report by the Executive Director (Finance and Corporate Support) on the findings of corporate fraud investigations completed between March and April 2019 (copy enclosed).

Audit and Scrutiny Committee Sederunt

Marie Burns (Chair)
Margaret George (Vice Chair)
Joy Brahim
Alan Hill
Tom Marshall
Donald Reid
John Sweeney

Chair:

Apologies:

Attending:

**Audit and Scrutiny
Committee 26 March 2019**

Agenda Item 2

IRVINE, 26 March 2019 - At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m.

Present

Marie Burns, Margaret George, Joy Brahim, Alan Hill, Tom Marshall, Donald Reid and John Sweeney.

In Attendance

L. Friel, Executive Director, P. Doak, Senior Manager (Internal Audit, Risk and Fraud) and B. Quigley, Team Manager (Systems) (Finance and Corporate Support); S. Brown, Director (Health and Social Care Partnership); C. McAuley, Head of Service (Economic Growth) and J. Miller, Senior Manager Planning (Economy and Communities); and A. Fraser, Head of Democratic Services and A. Little, Committee Services Officer (Chief Executive's Service).

Also in Attendance

Martin Clark (Deloitte LLP) and Daniel McGreish (Petition – Seafield House, Ardrossan)

Chair

Councillor Burns in the Chair.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 10 and Section 5 of the Code of Conduct for Councillors.

2. Minutes

The Minutes of the meeting of the Audit and Scrutiny Committee held on 29 January 2019 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Petition – Seafield House, Ardrossan

Submitted report by the Chief Executive on a petition of 200 signatures that had been received requesting the Council to take a number of actions in respect of Seafield House, Ardrossan. The report outlined the terms of the petition and areas of the petition that were out with the powers of the Council. The areas of the petition before the Committee for consideration were detailed as shown below:-

- To take action to ensure the fire damage to Seafield House (School) building is repaired soon by the owners where insured, following the recent fire; and
- It be determined whether there is a reliable commitment by owners to save, restore and convert the building for a future use including possible, sub division as flats, or otherwise.

A briefing note by the Head of Economic Growth was attached to the report as an appendix.

Mr McGreish, a local resident supporting the petition, outlined his concerns regarding the building and site. He stated that the owners appear to be unable to carry out due diligence and duty of care for the building, which in his view was an iconic example of Scottish baronial architecture in the local area. The fabric of the building is declining due to a fire that damaged the roof and lack of maintenance. The building now attracts anti-social behaviour which overflows into the local area. Whilst workmen have attended to board up openings in the building, the Council's suggestion of metal boarding to prevent break-ins has not been undertaken. There has been no development of the site and it was his view that the building will deteriorate to such an extent that it will require to be demolished.

The Senior Manager Planning Services referred to the briefing paper that outlined the current condition of the site and the work done by the Council to date. He provided information on:-

- the history of the site;
- the involvement of Planning Services in making the owners aware of concerns about the condition of the building and how to make the site secure;
- the powers available to a Planning Authority, in respect of Listed Buildings;
- complaints regarding the condition of the building and actions taken by the owners to secure the building and site; and
- discussions with the owners on the plans for development of the site, although to date no application for planning permission has been received.

Photographs of the building, taken in March 2019, were displayed to allow the Committee to see the current condition of Seafeld House.

Members asked questions and were provided with further information in relation to:-

- the common building practice of retaining demolition materials and rubble on-site to allow for reuse;
- the requirement to serve a Repair Notice on owners to give them an opportunity to carry out specified works or repairs, prior to the compulsory purchase of a Listed Building in need of repair.
- the effect of market forces on the commercial viability of development of the site;
- previous discussions with the owners of the building and a further meeting to be arranged to discuss their proposals for Seafeld House;
- Section 179 of the Town and Country Planning (Scotland) Act which allows a Planning Authority to take action against a site which is of a condition held to cause harm to amenity;
- regular visits by officers to the site to assess the condition of the building;
- requests to the owner for repairs that have been undertaken;

- a Compulsory Purchase Order which would apply only to the building and not the whole site, negating the value of the building and affecting development opportunities.
- the fact that demolition of Listed Buildings is not supported in principle by the Planning Authority or the Scottish Government, unless it can be demonstrated that the building is incapable of further use; and
- increased fencing and/or security that could help prevent anti-social behaviour and that could be explored with the owners.

The Committee agreed (a) to note Planning Services' actions to date in respect of the property; (b) that Planning Services again contact the owner to (i) seek assurances regarding the long term condition of the building and any proposals to develop the property; and (ii) recommend increased fencing and/or security to further secure the site; (c) that Planning Services continue to inspect the property as necessary to ensure that the minimum steps have been taken to prevent further deterioration of the building; (d) that Planning Services seek authority from the Planning Committee for the issue of notices available under the powers available to the Planning Authority, as considered necessary and including a Section 179 of the Town and Country Planning (Scotland) Act; (e) that Planning Services explore the option of a Compulsory Purchase Order and subsequent sale to a third party (a back-to-back arrangement); and (f) that a update be provided to the Committee at the September meeting.

4. Planning Performance Framework

Submitted report by the Executive Director (Economy and Communities) on the positive feedback received from the Scottish Government on the Council's Planning Performance Framework 7 submission. Appendix 1 to the report detailed the feedback on the Performance Markers, with all applicable Markers rated as green.

Members asked questions and were provided with further information relating to:-

- the benefits to the local economy as a result of the quick turnaround of planning applications within North Ayrshire;
- proactive work with landowners and stakeholders and the addition in the Local Development Plan 2 of some additional sites to make them more attractive and viable for development; and
- the success of the Planning Service in being shortlisted for UK Planning Team of the Year.

The Committee congratulated Planning Services on the excellent feedback received from the Scottish Government and their achievement in receiving the best Planning Performance Framework report in Scotland

Noted.

5. Brexit Quarterly Update

Submitted report by the Head of Democratic Services on the work the Council is doing in preparation for Brexit and the risks to North Ayrshire associated with a Negotiated Deal and a No Deal Brexit.

Members asked questions and were provided with further information in relation to:-

- regular meetings of the Election Team and the fact that an Election Plan is in place;
- funding for elections that is generally externally funded;
- no further details regarding the UK Shared Prosperity Fund and no additional costs for the Council to date;
- resilience planning arrangements that are being activated to identify the local context, risk and mitigation of Brexit; and
- the Council's insurance that will cover schools on overseas trips within the Europe.

Noted.

6. HSCP Operational Budget Management

Submitted report by Caroline Whyte, Chief Finance and Transformation Officer on the projected financial outturn for the financial year as at December 2018. Appendix A to the report provided the financial overview of the partnership position. Detailed analysis was provided in Appendix B, with full details of savings provided at Appendix C. The progress of the Recovery Plan was outlined at Appendix D and Appendix E highlighted the movement in the overall budget.

Members asked questions and were provided with further information in relation to:-

- Vacancy Scrutiny Panels that manage vacancies by determining which posts require to be filled to prevent an impact on front line services;
- Council or NHS Ayrshire and Arran employment contracts for new staff as the IJB is not an employing body;
- the setting of the NHS budget and the provision of more detail in NHS financial reports;
- additional payments within Primary Medical Services to GP practices currently experiencing difficulty; and
- a backlog in assessments for Free Personal Care.

The Committee commended the Health and Social Care Partnership on the progress being made in delivering financial balance.

The Committee agreed to (a) continue to receive regular financial reports from the HSCP; and (b) to otherwise note the report.

7. External Audit Plan

Submitted report by the Executive Director (Finance and Corporate Support) on the External Audit plan for 2017/18, attached at Appendix 1, which summarised Deloitte LLP's assessment of the key risks and challenges facing the Council and the audit work proposed in the 2018/19 financial year.

Members asked questions and were provided with further information in relation to specific testing that will be undertaken in relation to the key risks of recognition of grant income and management override of controls.

The Committee agreed (a) to receive an Interim Report to the Committee in June 2019 and the Annual Audit Report in September 2019; and (b) to otherwise note the report.

8. Internal Audit Reports Issued

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of Internal Audit work completed during January and February 2019. Appendix 1 to the report provided details of six audit assignments, together with their respective executive summary and action plans.

Members asked questions and were provided with further information in relation to:-

- the introduction of an automated process to control and remove access to IT systems for employees moving roles within the Council and leaving the Council;
- spot checks of the access rights of employees who have moved roles and those who have left the Council that will be undertaken by Internal Audit;
- the establishment of a Project Team, involving HR, IT and Payroll and representatives from key Council systems to ensure appropriate processes are in place;
- the discontinuation of GCSX email and the instruction that users should advise their contacts to stop using this address; and
- additional resources that will be brought in to assist the work of the HSCP Finance Team to ensure invoices are raised for chargeable services.

Noted.

9. Internal Audit and Corporate Fraud Action Plans: Quarter 3 Follow Up

Submitted report by the Executive Director (Finance and Corporate Support) on the progress made by Council services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2018. Full details of the three actions that were not completed within the required timescales were provided at Appendix 1 to the report.

Noted.

10. Internal Audit Plan 2019/2024

Submitted report by the Executive Director (Finance and Corporate Support) on the proposed Internal Audit Plan for 2019 – 2020. Appendix 1 to the report provided a full list of auditable areas and an indicative programme of work for Internal Audit for the 5-year period from April 2019 to March 2024. The detailed audit plan for 2019-20 was outlined at Appendix 2 to the report.

The Committee agreed to (a) approve the Internal Audit Plan for 2019 – 2020; and (b) note (i) the indicative programme for 2020 – 2024 and (ii) the indicators and targets as detailed at 2.8 of the report.

11. Exclusion of the Public

The Committee resolved in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following item of business on the grounds indicated in terms of Paragraph 1 of Part 1 of Schedule 7A of the Act.

11.1 Corporate Fraud Reports

Submitted report by the Executive Director (Finance and Corporate Support) on the findings of corporate fraud investigations completed between January and February 2019.

Noted.

The meeting ended at 12 noon.

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit & Scrutiny Committee

Title: **MSG Review of Progress with Integration of Health and Social Care – Self Evaluation**

Purpose: To provide an update on the self-evaluation for the North Ayrshire HSCP against the proposals published in the final report relating to the review of progress with the Integration of Health and Social Care.

Recommendation: It is proposed that the Committee note the attached report.

1. Executive Summary

- 1.1 The attached report provides an overview and the completed self-evaluation template for the North Ayrshire HSCP against the proposals published in the final report relating to the review of the Integration of Health and Social Care. The HSCP undertook the required self-evaluation and this has been submitted to the Scottish Government for consideration by the MSG Leadership Group.

2. Background

- 2.1 The MSG report on the review of the Integration of Health and Social Care noted an expectation that each HSCP would undertake an evaluation in relation to their current position in relation to the MSG findings and the Audit Scotland report and take appropriate action to make progress. The completed self-evaluation template is included as an appendix, this template includes a progress rating, supporting evidence and the proposed improvement actions against each of the proposals.

3. Proposals

- 3.1 It is proposed that the Committee note the report.

4. Implications

Financial:	The implications are outlined in the attached report.
Human Resources:	The implications are outlined in the attached report.

Legal:	The implications are outlined in the attached report.
Equality:	The implications are outlined in the attached report.
Environmental & Sustainability:	The implications are outlined in the attached report.
Key Priorities:	The implications are outlined in the attached report.
Community Benefits:	The implications are outlined in the attached report.

5. Consultation

5.1 The attached report outlines the consultation that has taken place.



Stephen Brown
Director Health & Social Care Partnership

For further information please contact **Caroline Whyte** on **01294 324954**.

Background Papers

MSG Review of Progress with Integration of Health and Social Care - shorturl.at/qQSV5
Audit Scotland Report - shorturl.at/coPT7

Subject:	Ministerial Strategic Group Review of Progress with Integration of Health and Social Care – Self-Evaluation
Purpose:	To benchmark the North Ayrshire HSCP position against the proposals published in the final report relating to the review of progress with the Integration of Health and Social Care.
Recommendation:	The IJB approves the completed self-evaluation and actions identified for improvement and remits this to the Scottish Government as required. The actions will be monitored through the Performance and Audit Committee and an overall progress update report will be provided to the IJB later in 2019.

Glossary of Terms	
HSCP	Health and Social Care Partnership
MSG	Ministerial Strategic Group
COSLA	Convention of Scottish Local Authorities

1.	EXECUTIVE SUMMARY
1.1	The Cabinet Secretary for Health and Sport undertook that a review of progress by Integration Authorities would be taken forward with the Ministerial Strategic Group (MSG) for Health and Community Care, and that outputs arising from any further action stemming from such a review would be shared with the Health and Sport Committee of the Scottish Parliament. Following the review, the final published report was considered by the IJB on the 14 February 2019, the report highlighted the main conclusions and proposals for consideration. A number of proposals to ensure the future success of integration are included in the report and the IJB were advised of the intention to benchmark the North Ayrshire HSCP position against the proposed areas for improvement and that an evaluation and action plan would be brought to the IJB for approval.
1.2	The MSG report noted an expectation that every Health Board, Local Authority and Integration Joint Board will undertake an evaluation their current position in relation to the MSG report findings and the Audit Scotland report and take appropriate action to make progress. The process of self-evaluation and the proposals in the report should extend beyond the statutory partners and include local colleagues in the third and independent sector, and other partners. The Scottish Government issued a self-evaluation template to support consistency in evaluation, the template is to be completed by IJBs and submitted to the Scottish Government. The collation of the self-evaluations across IJBs will allow the MSG Integration Leadership Group to gain an insight into progress locally and allow a comparison to be made across Scotland.
1.3	The IJB has been asked to rate progress against the key features and principles using the following criteria – not yet established, partly established, established and exemplary and to identify improvement actions. The completed self-evaluation

	<p>template for North Ayrshire HSCP is included as Appendix 1. The template has been completed collaboratively by the IJB including all stakeholder groups and statutory partners have been consulted. The IJB are asked to approve the completed template and remit this to the Scottish Government. Thereafter improvement actions will be monitored through the Performance and Audit Committee and a follow up progress update will be brought back to the IJB later in 2019.</p>
2.	BACKGROUND
2.1	<p>At a health debate in the Scottish Parliament on 2 May 2018, the then Cabinet Secretary for Health and Sport undertook that a review of progress by Integration Authorities would be taken forward with the Ministerial Strategic Group (MSG) for Health and Community Care, and that outputs arising from any further action stemming from such a review would be shared with the Health and Sport Committee of the Scottish Parliament. The final published report was considered by the IJB on the 14 February 2019 and this was to be followed up with benchmarking of the North Ayrshire HSCP position against the report proposals be undertaken.</p>
2.2	<p>The Scottish Government issued a self-evaluation template to support consistency in evaluation, the template is to be completed by IJBs and submitted to the Scottish Government. The collation of the self-evaluations across IJBs will allow the Leadership Group to gain an insight into progress locally and allow a comparison to be made across Scotland. The completed self-evaluation template for North Ayrshire HSCP is included as Appendix 1.</p>
3.	PROPOSALS
3.1	<p>The report outlines a number of proposals reflecting joint and mutual leadership responsibility to improve the pace and success of integration.</p> <p>The MSG group identified a total of 25 proposals for improvement all with implementation timescales over the next 6 to 12 months. The proposals are grouped under the 6 main features identified to support integration, illustrated below:</p> <div data-bbox="288 1326 1437 1821" data-label="Diagram"> <p>The diagram is titled "Features supporting integration" in a dark blue rounded rectangle at the top. Below the title, there are six circular icons arranged horizontally, each connected to a text label underneath. The icons and their corresponding labels are:</p> <ul style="list-style-type: none"> Icon 1: Two hands shaking. Label: Collaborative leadership & building relationships Icon 2: A calculator. Label: Integrated finances and financial planning Icon 3: A checklist with a checkmark. Label: Effective strategic planning for improvement Icon 4: A hierarchical organizational chart. Label: Agreed governance & accountability arrangements Icon 5: Three people icons connected by lines. Label: Ability & willingness to share information Icon 6: A person icon with a circular arrow around them. Label: Meaningful & sustained engagement </div>
3.2	<p>In support of these proposals the MSG expect that:</p> <ul style="list-style-type: none"> • Every Health Board, Local Authority and IJB will evaluate their current position in relation to this report and the Audit Scotland report, and take action to make progress using the support on offer.

	<ul style="list-style-type: none"> Partnerships to initiate or continue the necessary “tough conversations” to make integration work and to be clear about the risks being taken, and ensure mitigation of these is in place. Partnerships to be innovative in progressing integration.
3.3	The IJB has been asked to rate progress against the key features and principles using the following criteria – not yet established, partly established, established and exemplary and to identify improvement actions. The completed self-evaluation template for North Ayrshire HSCP is included as Appendix 1. There are no areas that have been identified or rated as not yet established. There are a number of areas where further work is required to fully establish arrangements or move to a position of exemplary practice.
3.4	The IJB are asked to approve the self-evaluation and remit to the Scottish Government for consideration by the MSG Integration Review Leadership Group.
3.5	<u>Anticipated Outcomes</u>
	The self-evaluation of progress and the identification of improvement actions locally will support increasing the pace of delivery of the integration of health and social care, and improving people’s outcomes in the delivery of services.
3.6	<u>Measuring Impact</u>
	Following approval, the self-evaluation and identified improvement actions will be taken forward with progress monitored and reported through the Performance and Audit Committee, a follow up report will be presented to the IJB later in 2019.
4.	IMPLICATIONS
Financial:	There are financial proposals as part of the review focus on developing an integrated partnership budget.
Human Resources:	There are no workforce proposals as part of the review. However this issue should be a key focus for statutory and non-statutory partners taking forward integration
Legal:	No legal amendments to the existing legislation will be made as a result of the review.
Equality:	The integration of health and social care seeks to improve the equalities outcomes of the people of North Ayrshire.
Children and Young People	There are planning proposals which will impact on all service areas as part of the review.
Environmental & Sustainability:	There are proposals to support HSCP sustainability, through increased pace of implementation.
Key Priorities:	The review proposals and improvement actions will aid the delivery of the HSCP strategic plan.
Risk Implications:	The improvement actions will support the mitigation of strategic risks.
Community Benefits:	N/A.

Direction Required to Council, Health Board or Both	Direction to :-	
	1. No Direction Required	x
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

5.	CONSULTATION
5.1	Consultation has taken place with the HSCP Partnership Senior Management Team, NHS Ayrshire and Arran and North Ayrshire Council and our independent and third sector partners to inform the self-evaluation and improvement actions. The IJB has been consulted and involved with the self-evaluation being undertaken collaboratively with IJB members.
6.	CONCLUSION
6.1	<p>The proposals from the review and the previously published Audit Scotland report provide an opportunity to improve the pace and effectiveness of integration. This provides an opportunity for partnerships to benchmark progress in key areas, supporting shared learning of best practice and improvement across Scotland.</p> <p>It is recommended that Members approve the completed self-evaluation and proposed improvement actions and remit this to Scottish Government for consideration by the MSG Integration Leadership Group.</p>

For more information please contact:

Steven Brown on 01294 317723 or sbrown@north-ayrshire.gov.uk,
or Caroline Whyte on 01294 324954 or carolinewhyte@north-ayrshire.gov.uk

NORTH AYRSHIRE HSCP – MSG INTEGRATION REVIEW LEADERSHIP GROUP SELF EVALUATION SUMMARY				
Feature supporting integration	Not yet established	Partly Established	Established	Exemplary
1. Collaborative leadership and building relationships				
1.1: All leadership development will be focused on shared and collaborative practice			√	
1.2: Relationships and collaborative working between partners must improve			√	
1.3: Relationships and partnership working with the third and independent sectors must improve			√	
2. Integrated finances and financial planning				
2.1: Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration			√	
2.2: Delegated budgets for IJBs must be agreed timeously			√	
2.3: Delegated hospital budgets and set aside budget requirements must be fully implemented		√		
2.4: Each IJB must develop a transparent and prudent reserves policy			√	
2.5: Statutory partners must ensure appropriate support is provided to IJB S95 Officers.				√
2.6: IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local populations.		√		
3. Effective strategic planning for improvement				
3.1: Statutory partners must ensure that Chief Officers are effectively supported and empowered to act on behalf of the IJB.			√	
3.4: Improved strategic planning and commissioning arrangements must be put in place.		√		
3.5: Improved capacity for strategic commissioning of delegated hospital services must be in place.		√		
4. Governance and accountability arrangements√				
4.1: The understanding of accountabilities and responsibilities between statutory partners must improve.			√	
4.2: Accountability processes across statutory partners will be streamlined.			√	
4.3: IJB chairs must be better supported to facilitate well run Boards capable of making effective decisions on a collective basis.			√	
4.4: Clear directions must be provided by IJB to Health Boards and Local Authorities.		√		
4.5: Effective, coherent and joined up clinical and care governance arrangements must be in place.			√	

NORTH AYRSHIRE HSCP – MSG INTEGRATION REVIEW LEADERSHIP GROUP SELF EVALUATION SUMMARY				
Feature supporting integration	Not yet established	Partly Established	Established	Exemplary
5. Ability and willingness to share information				
5.1: IJB annual performance reports will be benchmarked by Chief Officers to allow them to better understand their local performance data.			√	
5.2: Identifying and implementing good practice will be systematically undertaken by all partnerships.				√
6. Meaningful and sustained engagement				
6.1: Effective approaches for community engagement and participation must be put in place for integration.				√
6.2: Improved understanding of effective working relationships with carers, people using services and local communities is required.				√
6.3: We will support carers and representatives of people using services better to enable their full involvement in integration.				√

Ministerial Strategic Group for Health and Community Care

Integration Review Leadership Group

Self-evaluation

For the Review of Progress with Integration of Health and Social Care

March 2019

MINISTERIAL STRATEGIC GROUP FOR HEALTH AND COMMUNITY CARE (MSG) REVIEW OF PROGRESS WITH INTEGRATION OF HEALTH AND SOCIAL CARE - SELF EVALUATION

There is an expectation that Health Boards, Local Authorities and Integration Joint Boards should take this important opportunity to collectively evaluate their current position in relation to the findings of the MSG review, which took full account of the Audit Scotland report on integration published in November 2018, and take action to make progress. This evaluation should involve partners in the third and independent sectors and others as appropriate to local circumstances. This template has been designed to assist with this self-evaluation.

To ensure compatibility with other self-evaluations that you may be undertaking such as the Public Services Improvement Framework (PSIF) or those underpinned by the European Foundation for Quality Management (EFQM), we have reviewed examples of local self-evaluation formats and national tools in the development of this template. The template is wholly focused on the 25 proposals made in the MSG report on progress with integration published on 4th February, although it is anticipated that evidence gathered and the self-evaluation itself may provide supporting material for other scrutiny or improvement self-evaluations you are, or will be, involved in.

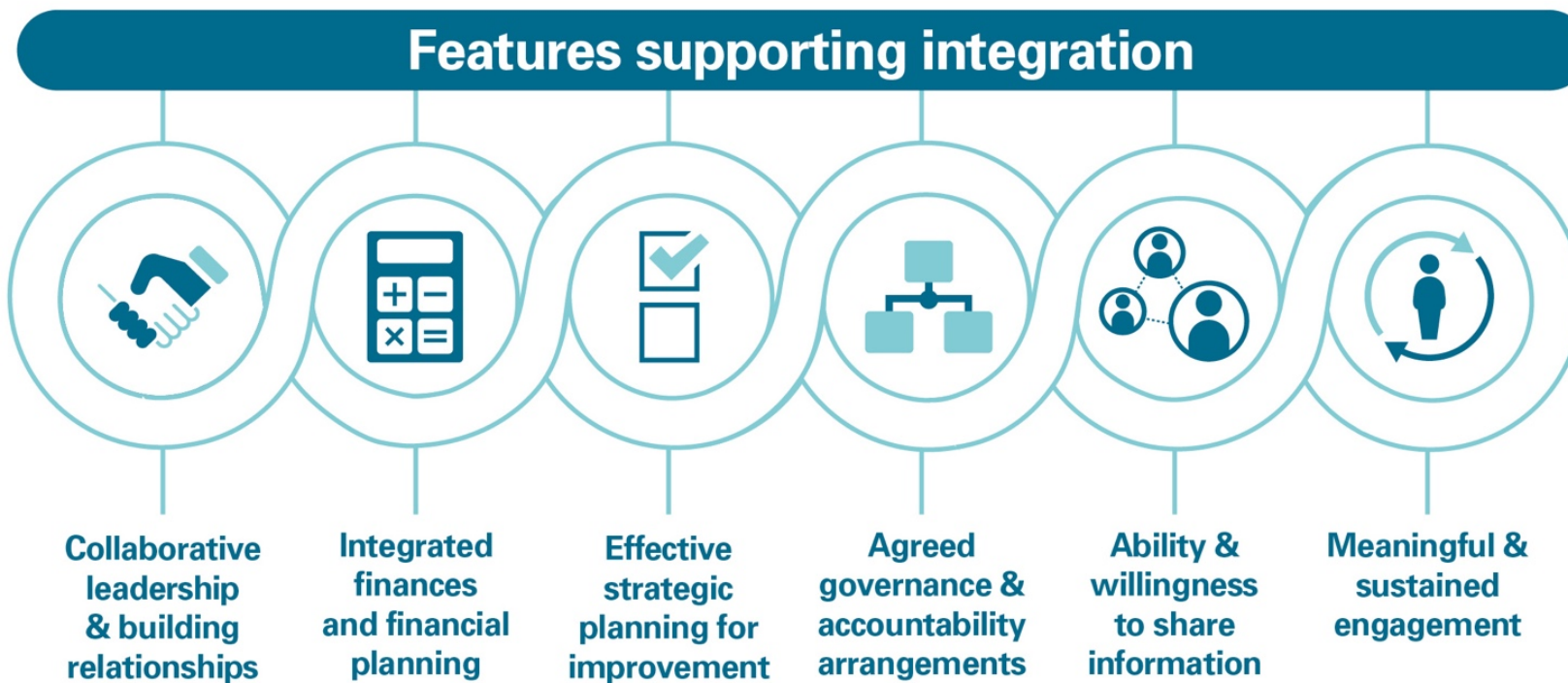
Information from local self-evaluations can support useful discussions in local systems, sharing of good practice between local systems, and enable the Integration Leadership Group, chaired by the Scottish Government and COSLA, to gain an insight into progress locally.

In completing this template please identify your rating against each of the rating descriptors for each of the 25 proposals except where it is clearly marked that that local systems should not enter a rating. Reliable self-evaluation uses a range of evidence to support conclusions, therefore please also identify the evidence or information you have considered in reaching your rating. Finally, to assist with local improvement planning please identify proposed improvement actions in respect of each proposal in the box provided. Once complete, you may consider benchmarking with comparator local systems or by undertaking some form of peer review to confirm your findings.

We greatly appreciate your assistance in ensuring completion of this self-evaluation tool on a collective basis and would emphasise the importance of partnership and joint ownership of the actions taken at a local level. **Please share your completed template with the Integration Review Leadership Group by 15th May 2019 – by sending to Kelly.Martin@gov.scot**

It is our intention to request that we repeat this process towards the end of the 12 month period set for delivery of the all of the proposals in order that we can collectively demonstrate progress across the country.

**Thank you.
Integration Review Leadership Group
MARCH 2019**



Name of Partnership	North Ayrshire HSCP
Contact name and email address	Caroline Whyte, Chief Finance and Transformation Officer, carolinewhyte@north-ayrshire.gov.uk
Date of completion	18 th April 2019

Key Feature 1 Collaborative leadership and building relationships				
Proposal 1.1 All leadership development will be focused on shared and collaborative practice. (6mths)				
Rating Descriptor	Not yet established	Partly established	Established	Exemplary
Indicator	Lack of clear leadership and support for integration.	Leadership is developing to support integration.	Leadership in place has had the ability to drive change with collaboration evident in a number of key areas. Some shared learning and collaborative practice in place.	Clear collaborative leadership is in place, supported by a range of services including HR, finance, legal advice, improvement and strategic commissioning. All opportunities for shared learning across partners in and across local systems are fully taken up resulting in a clear culture of collaborative practice.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> Joint Inspection (Adults) effectiveness of strategic planning in NAHSCP published in March 2019 graded leadership and direction that promotes the partnership as 'good', highlighting that: <ul style="list-style-type: none"> - the vision is evident, widely understood and supported across the partnership - at a senior level there is collaborative leadership and involvement in decision making at a pan-Ayrshire level Senior Partnership Operational Group (SPOG) supports approach to collaborative leadership across Ayrshire NAHSCP senior leaders and professional leads are represented on national groups, providing opportunity for networking, collective work on priorities and shared learning Some support services are within the partnership, including Business Administration, Planning, Performance, Social Care Finance, however there remains a significant resource of corporate support services outwith the HSCP that the partnership rely on to support the day to day service delivery and the improvement agenda, this can lead to conflicting priorities Locality forums and links with CPP localities (geographical areas aligned), currently undertaking a pilot in Arran to merge the LPF and CPP forums 			
Proposed improvement actions	<ul style="list-style-type: none"> SG and COSLA to undertake an audit of existing national leadership programmes to identify gaps and areas of synergy to support the integration of health and social care, further work to be delivered on cross-sectoral leadership development and support NAHSCP Workforce Development Strategy includes an action for the partnership to develop succession planning for key leadership positions 			

	<ul style="list-style-type: none">• Review of support service arrangements, including opportunities to bring support within the HSCP and to formalise the support arrangement between the HSCP and Council/Health Board
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Proposal 1.2 Relationships and collaborative working between partners must improve (12mths)_				
Rating	Not yet established	Partly established	Established	Exemplary
Indicator	Lack of trust and understanding of each other's working practices and business pressures between partners.	Statutory partners are developing trust and understanding of each other's working practices and business pressures.	Statutory partners and other partners have a clear understanding of each other's working practices and business pressures – and are working more collaboratively together.	Partners have a clear understanding of each other's working practices and business pressures and can identify and manage differences and tensions. Partners work collaboratively towards achieving shared outcomes. There is a positive and trusting relationship between statutory partners clearly manifested in all that they do.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> • Inclusive approach – information sharing, present at members seminars part of wider Council Chief Officers leadership group • Established CPP structures enhanced with other forums for collaborative working • CPP agreed and supported Fair for All Strategy to tackle shared priority of promoting equality across our residents • Examples of areas of shared investment, eg Trindlemoss development for Learning Disability and Mental Health services supported by capital and revenue investment by both the Council and Health Board • Co-location of staff, shared property portfolio and Joint Property Group in place to manage shared interests • Consistent representation and attendance from a range of partners and stakeholders at the SPG and IJB • Clear links with other service areas outwith HSCP, including for example Economies and Communities and Housing in relation to the Strategic Housing Investment Plan and need in relation to supported housing • Challenge Fund established in 2017-18 by Council and HSCP to invest in new models of care, recognising need to test new models and double run investment to deliver real transformational change • Constructive relationships with funding partners in relation to meeting cost and demand pressures and recognising financial challenges facing HSCP, led to supportive budgets being agreed with pressures being funded and any savings being in line with the delivery of the Strategic Plan • IJB Chief Officers and Chief Financial Officers engagement in budget discussions with Council and Health Board 			
Proposed improvement actions	<ul style="list-style-type: none"> • Establishing more routine cross party meetings HB/Council outwith the budget process 			

Proposal 1.3				
Relationships and partnership working with the third and independent sectors must improve (12mths)				
Rating	Not yet established	Partly established	Established	Exemplary
Indicator	Lack of engagement with third and independent sectors.	Some engagement with the third and independent sectors.	Third and independent sectors routinely engaged in a range of activity and recognised as key partners.	Third and independent sectors fully involved as partners in all strategic planning and commissioning activity focused on achieving best outcomes for people. Their contribution is actively sought and is highly valued by the IJB. They are well represented on a range of groups and involved in all activities of the IJB.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> • Representation of Third and Independent Sector at IJB, Strategic Planning Group and on Locality Planning Forums • Significant financial support provided to partnership enablers, involved and fully support the work of the partnership • Established network of social care provider forums to share information, knowledge and gain feedback from providers • Reflection in Joint Inspection (Adults) effectiveness of strategic planning in NAHSCP that the partnership approach to developing a mixed economy of care in consultation with the third and independent sectors was not well defined and the partnership need to invest more time in developing stronger relationships with the sectors 			
Proposed improvement actions	<ul style="list-style-type: none"> • Third and Independent sectors will be allocated a dedicated space as part of the partnership Organisational Development programme during 2019 ("Thinking Different, Doing Better") • Actions aligned to the Joint Inspection of strategic planning • Greater involvement of third and independent sector in the development of commissioning strategies, commencing with the Older People's Care Home Strategy • Scottish Government requested to consider the longer-term sustainability of Independent Sector/Third Sector representation on IJBs and a funding model to support this 			

Key Feature 2 Integrated finances and financial planning				
Proposal 2.1 Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration (by 1st April 2019 and each year by end March)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Lack of consolidated advice on the financial position of statutory partners' shared interests under integration.	Working towards providing consolidated advice on the financial position of statutory partners' shared interests under integration.	Consolidated advice on the financial position on shared interests under integration is provided to the NHS/LA Chief Executive and IJB Chief Officer from corresponding financial officers when considering the service impact of decisions.	<p>Fully consolidated advice on the financial position on shared interests under integration is provided to the NHS/LA Chief Executive and IJB Chief Officer from corresponding financial officers when considering the service impact of decisions.</p> <p>Improved longer term financial planning on a whole system basis is in place.</p>
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> Integrated budget management report presented to the IJB, shared with NHS and Council Directors of Finance and Chief Executives to ensure both partners are fully sighted on the overall financial position Dedicated HSCP Finance Manager and CFO provide advice and support to the partners and IJB in an integrated way, taking account of impact of service change proposals and pressures across the whole system Financial plans are aligned to the Strategic Plan delivery taking a whole system approach to the impact Agreed during 2018-19 a shared position between IJB/Council/HB around the Scottish Government conditions attached to the 2019-20 budget settlement, the principle of an integrated approach to balancing the IJB budget for 2018-19 and a plan to address the outstanding debt to North Ayrshire Council for previous year overspends. These areas were all successfully negotiated and agreed across the 3 parties during the year with the impact for each party being clearly understood Ayrshire Finance Leads Network established, providing a forum for the CFOs and senior finance managers from the 3 Ayrshire partnerships to share information, best practice and to support a framework of financial governance in relation to pan-Ayrshire services and service developments 			

Proposed improvement actions	<ul style="list-style-type: none"> • Medium Term Financial Plan for 2019-22 to be developed by summer 2019, follow this up with a longer term financial outlook • There is a notable cultural difference between the approach to budget setting in the Council and Health Board, with the plans for service change and implications for Health services generally being less developed at the time of budget setting. This means the implications and potential impact of NHS funding decisions is less clear at the start of the year, clarity will be sought around future timescales for NHS budgets to allow any financial risks to be incorporated as part of the IJB budget setting process. • Scottish Government finance directorate will be requested to review the methodology for the significant allocation of in-year budget allocations to Health Boards. Due to timing of allocations the implications of any reductions to this resource are not clearly understood as part of the budget process and also many in-year funding allocations are not part of the baseline funding uplifted which means with rising costs the impact of the investment is eroded or reduced in future years (specific IJB examples being MH Action 15, PCIF and ADP).
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Proposal 2.2 Delegated budgets for IJBs must be agreed timeously (by end March 2019 and thereafter each year by end March)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Lack of clear financial planning and ability to agree budgets by end of March each year.	Medium term financial planning is in place and working towards delegated budgets being agreed by the Health Board, Local Authority and IJB by end of March each year.	Medium term financial and scenario planning in place and all delegated budgets are agreed by the Health Board, Local Authority and IJB by end of March each year.	<p>Medium to long term financial and scenario planning is fully in place and all delegated budgets are agreed by the Health Board, Local Authority and IJB as part of aligned budget setting processes.</p> <p>Relevant information is shared across partners throughout the year to inform key budget discussions and budget setting processes. There is transparency in budget setting and reporting across the IJB, Health Board and Local Authority.</p>
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> • 2019-20 IJB budget set by 31st March 2019, this was the first time the budget was set before the start of the new financial year • Setting the budget by 31 March was in advance of the Health Board setting their budget and was reliant on approval of the HB budget after the IJB. There were some difficulties in achieving this deadline, mainly due to a protracted period of negotiation over the financial settlement following the Scottish Government budget and the conditions re funding levels for IJBs, if this was resolved sooner this would have enabled more focus on the implications and service change requirements. • Medium Term Financial Plan in place, does require to be updated based on more recent developments in terms of Scottish Government funding directives to partners and priorities for investment • Information in shared with partners on financial pressures and service change proposals during the year, although these timescales and requirements do not align for between the Council and Health Board 			
Proposed improvement actions	<ul style="list-style-type: none"> • Updated Medium Term Financial Plan to be presented to IJB by summer 2019 • IJB led budget process for 2020-21 onwards, planning will commence earlier and concurrently for both social care and health to enable an integrated approach to resource allocation and to ensure the IJB will be in a position to approve a balanced budget by 31 March each year • Scottish Government finance directorate will be requested to review the methodology for the significant allocation of in-year budget allocations to Health Boards, specifically for allocations passed through to IJBs. Due to timing of allocations the implications of any reductions to this resource are not clearly understood as part of the budget process and also many in-year 			

	funding allocations are not part of the baseline funding uplifted which means with rising costs the impact of the investment is eroded or reduced in future years (specific IJB examples being MH Action 15, PCIF and ADP).
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Proposal 2.3 Delegated hospital budgets and set aside budget requirements must be fully implemented (6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Currently have no plan to allow partners to fully implement the delegated hospital budget and set aside budget requirements.	Working towards developing plans to allow all partners to fully implement the delegated hospital budget and set aside budget requirements, in line with legislation and statutory guidance, to enable budget planning for 2019/20.	<p>Set aside arrangements are in place with all partners implementing the delegated hospital budget and set aside budget requirements.</p> <p>The six steps for establishing hospital budgets, as set out in statutory guidance, are fully implemented.</p>	<p>Fully implemented and effective arrangements for the delegated hospital budget and set aside budget requirements, in line with legislation and statutory guidance.</p> <p>The set aside budget is being fully taken into account in whole system planning and best use of resources.</p>
Our Rating		√		
Evidence / Notes	<ul style="list-style-type: none"> • Have a notional set aside value of resources based on NRAC share, currently no mechanism for transfer of resources or to commission services differently • Early work started pan-Ayrshire to develop plans to support planning for future requirement of acute hospital services • Investment options are in development, including the pan-Ayrshire investment in an Intermediate Care and Rehab Care model predicated on a reduction in acute bed usage and savings from set-aside resources funding the investment, current work underway to develop a similar business case for end of life/palliative care 			
Proposed improvement actions	<ul style="list-style-type: none"> • Ayrshire and Arran identified as a pilot Board area to develop set aside arrangements, North Ayrshire are supporting this work • Timescales to be established to progress development of pan-Ayrshire approach to Directions 			

Proposal 2.4 Each IJB must develop a transparent and prudent reserves policy (3mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	There is no reserves policy in place for the IJB and partners are unable to identify reserves easily. Reserves are allowed to build up unnecessarily.	A reserves policy is under development to identify reserves and hold them against planned spend. Timescales for the use of reserves to be agreed.	A reserves policy is in place to identify reserves and hold them against planned spend. Clear timescales for the use of reserves are agreed, and adhered too.	A clear reserves policy for the IJB is in place to identify reserves and hold them against planned spend and contingencies. Timescales for the use of reserves are agreed. Reserves are not allowed to build up unnecessarily. Reserves are used prudently and to best effect to support full implementation the IJB's strategic commissioning plan.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> • Approved Reserves Policy in place since partnership formed (needs reviewed) • Have not held reserves to date (currently negative balance) and therefore cannot yet evidence approach to clear timescales etc however this is all outlined in the policy and would be implemented if reserve balances created 			
Proposed improvement actions	<ul style="list-style-type: none"> • Reserves Policy to be reviewed as part of routine review of governance documents, expectation that earmarked reserve balances will be established at the end of 2018-19 			

Proposal 2.5 Statutory partners must ensure appropriate support is provided to IJB S95 Officers.(6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	IJB S95 Officer currently unable to provide high quality advice to the IJB due to a lack of support from staff and resources from the Health Board and Local Authority.	Developments underway to better enable IJB S95 Officer to provide good quality advice to the IJB, with support from staff and resources from the Health Board and Local Authority ensuring conflicts of interest are avoided.	IJB S95 Officer provides high quality advice to the IJB, fully supported by staff and resources from the Health Board and Local Authority and conflicts of interest are avoided. Strategic and operational finance functions are undertaken by the IJB S95 Officer. A regular year-in-year reporting and forecasting process is in place.	IJB S95 Officer provides excellent advice to the IJB and Chief Officer. This is fully supported by staff and resources from the Health Board and Local Authority who report directly to the IJB S95 Officer on financial matters. All strategic and operational finance functions are integrated under the IJB S95 Officer. All conflicts of interest are avoided.
Our Rating				√
Evidence / Notes	<ul style="list-style-type: none"> • Dedicated Chief Financial Officer for IJB in place since July 2019, new appointment to partnership and no conflict of interest, interests are those of the IJB • Social Care Finance Team transferred from the Council corporate finance team to the HSCP under the CFO in October 2018, full operational and strategic responsibility for social care services • Integrated financial management reports are provided at each IJB meeting • CFO role part of HSCP Partnership Senior Management Team and involved in all material business decisions • Finance and Transformation role is combined acknowledging the two are inextricably linked, CFO is also responsible for the Change, Planning and Performance Teams in the HSCP • The financial position of the IJB has improved during 2018-19, this is in part linked to the renewed focus on the financial position and transformational change programme 			

Proposed Improvement actions	<ul style="list-style-type: none">• Only potential area of improvement would be the delegation of operational responsibility for the Health finance function, unclear on how this would operate practically due to the scale of the resource
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Proposal 2.6 IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local populations. (from 31 Mach 2019 onwards)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Total delegated resources are not defined for use by the IJB. Decisions about resources may be taken elsewhere and ratified by the IJB.	Total delegated resources have been brought together in an aligned budget but are routinely treated and used as separate health and social care budgets. The totality of the budget is not recognised nor effectively deployed.	Total delegated resources are effectively deployed as a single budget and their use is reflected in directions from the IJB to the Health Board and Local Authority.	Total delegated resources are effectively deployed as a single budget and their use is reflected in directions from the IJB to the Health Board and Local Authority. The IJB's strategic commissioning plan and directions reflect its commitment to ensuring that the original identity of funds loses its identity to best meet the needs of its population. Whole system planning takes account of opportunities to invest in sustainable community services.
Our Rating		√		
Evidence / Notes	<ul style="list-style-type: none"> • Integrated financial management reports to IJB • High level directions issued re financial allocations, when setting the budget, to cover any in-year variation and for the final year-end position • Budget preparation process to date focussed on balancing Health and Social Care budgets independently • 2018-19 financial year clear agreement from Council and Health Board that IJB permitted to move resource across partners, anticipate a health underspend will in part offset social care overspends 			
Proposed improvement actions	<ul style="list-style-type: none"> • Pan Ayrshire workshops being held to develop approach to Directions, Scottish Government supporting this work • Medium Term Financial Plan to be developed with a view to balancing the budget on an integrated basis 			

Key Feature 3 Effective strategic planning for improvement				
Proposal 3.1 Statutory partners must ensure that Chief Officers are effectively supported and empowered to act on behalf of the IJB. (12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Lack of recognition of and support for the Chief Officer's role in providing leadership.	<p>The Chief Officer is not fully recognised as pivotal in providing leadership.</p> <p>Health Board and Local Authority partners could do more to provide necessary staff and resources to support Chief Officers and their senior team.</p>	<p>The Chief Officer is recognised as pivotal in providing leadership and is recruited, valued and accorded due status by statutory partners.</p> <p>Health Board and Local Authority partners provide necessary resources to support the Chief Officer and their senior team fulfil the range of responsibilities</p>	<p>The Chief Officer is entirely empowered to act and is recognised as pivotal in providing leadership at a senior level. The Chief Officer is a highly valued leader and accorded due status by statutory partners, the IJB, and all other key partners.</p> <p>There is a clear and shared understanding of the capacity and capability of the Chief Officer and their senior team, which is well resourced and high functioning.</p>
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> Chief Officer is a member of both Council and Health Board Executive Leadership and Corporate Management Teams Well established HSCP senior management team (PSMT) supported by an Extended Management Team structure Addition of dedicated Chief Financial Officer role to support Chief Officer in undertaking IJB financial governance responsibilities Whilst some support service functions are devolved to the partnership and under full direction of the Chief Officer there remain a number of areas where capacity is required, including NHS Finance, NHS acute performance analysis, communications and engagement, complaints and FOI resource, Commissioning and information governance and systems management. 			
Proposed improvement actions	<ul style="list-style-type: none"> Review of support service arrangements, including opportunities to bring support within the HSCP and to formalise the support arrangement between the HSCP and Council/Health Board More clarity of partnership role in partner body governance structures, to avoid duplication and maximise impact and input of Chief Officer Develop succession planning for key leadership roles Develop the use of data to support the Chief Officer in decision making and service improvement (Inspection recommendation) 			

Proposal 3.2				
Improved strategic inspection of health and social care is developed to better reflect integration.				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator				
Our Rating				
Evidence / Notes	NOT FOR LOCAL COMPLETION - NATIONAL INSPECTORATE BODIES RESPONSIBLE			

Proposal 3.3 National improvement bodies must work more collaboratively and deliver the improvement support partnerships require to make integration work.				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator				
Our Rating				
Evidence / Notes	NOT FOR LOCAL COMPLETION - NATIONAL BODIES RESPONSIBLE			

Proposal 3.4 Improved strategic planning and commissioning arrangements must be put in place. (12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Integration Authority does not analyse and evaluate the effectiveness of strategic planning and commissioning arrangements. There is a lack of support from statutory partners.	<p>Integration Authority developing plans to analyse and evaluate the effectiveness of strategic planning and commissioning arrangements.</p> <p>The Local Authority and Health Board provide some support for strategic planning and commissioning.</p>	<p>Integration Authority has undertaken an analysis and evaluated the effectiveness of strategic planning and commissioning arrangements.</p> <p>The Local Authority and Health Board provide good support for strategic planning and commissioning, including staffing and resources which are managed by the Chief Officer.</p>	<p>Integration Authority regularly critically analyses and evaluates the effectiveness of strategic planning and commissioning arrangements. There are high quality, fully costed strategic plans in place for the full range of delegated services, which are being implemented. As a consequence, sustainable and high quality services and supports are in place that better meet local needs.</p> <p>The Local Authority and Health Board provide full support for strategic planning and commissioning, including staffing and resources for the partnership, and recognise this as a key responsibility of the IJB.</p>
Our Rating		√		
Evidence / Notes	<ul style="list-style-type: none"> • Strategic Planning and Performance Teams within the HSCP, gap in terms of operational commissioning support which remains with partners • North Ayrshire HSCP Joint Inspection (Adults) reporting in March 2019 a number of strengths in operational and strategic planning arrangements, including clear evidence of an integrated approach to planning development and delivery of services, particularly in relation to MH, LD and drug and alcohol services, noting that plans for older adults are less robust • Gap in performance and activity information and data analysis for acute services, impacting on ability to move forward with set-aside with confidence in the data • Lead arrangements with HSCPs across A&A Health Board area lack formal governance arrangements in terms of formally commissioning services, service change plans and delivery currently led by lead HSCP 			

Proposed improvement actions	<ul style="list-style-type: none"> • Develop a clear commissioning strategy for older adults services, starting with the Care Home Commissioning Strategy • Engage with the local LIST analysts, performance team and support form Scottish Government to develop commissioning plans for unscheduled care (has to be on a pan-Ayrshire basis) • Internal Audit review of lead partnership services will inform improvement plan • Clearer links to be evidenced between the Strategic Plan and financial plans • Integrated Workforce Plan to be presented for IJB for approval • Further develop performance reporting, with more frequent updates on progress with delivery of Strategic Plan objectives
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Proposal 3.5 Improved capacity for strategic commissioning of delegated hospital services must be in place. (12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	No plans are in place or practical action taken to ensure delegated hospital budget and set aside arrangements form part of strategic commissioning.	Work is ongoing to ensure delegated hospital budgets and set aside arrangements are in place according to the requirements of the statutory guidance.	<p>Delegated hospital budget and set aside arrangements are fully in place and form part of routine strategic commissioning and financial planning arrangements.</p> <p>Plans are developed from existing capacity and service plans, with a focus on planning delegated hospital capacity requirements with close working with acute sector and other partnership areas using the same hospitals.</p>	<p>Delegated hospital budget and set aside arrangements are fully integrated into routine strategic commissioning and financial planning arrangements. There is full alignment of budgets.</p> <p>There is effective whole system planning in place with a high awareness across of pressure, challenges and opportunities.</p>
Our Rating		√		
Evidence / Notes	<ul style="list-style-type: none"> Delegated Acute Hospital Services remain within a set-aside budget HSCPs feed into the NHS Transformation Leadership Group and the programme of work on models of care, this has recently led to the investment in an Intermediate Care and Rehab model by the Health Board, however with no direct release of resources from acute set aside 			
Proposed improvement actions	<ul style="list-style-type: none"> Ayrshire and Arran identified as a pilot Board area to develop set aside arrangements, will be taken forward with Scottish Government support Look to other areas and the Scottish Government for examples where this has been implemented successfully Establish process for ongoing monitoring of set-aside arrangements and progress 			

Key Feature 4 Governance and accountability arrangements				
Proposal 4.1 The understanding of accountabilities and responsibilities between statutory partners must improve. (6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	No clear governance structure in place, lack of clarity around who is responsible for service performance, and quality of care.	Partners are working together to better understand the governance arrangements under integration to better understand the accountability and responsibilities of all partners.	Clear understanding of accountability and responsibility arrangements across statutory partners. Decisions about the planning and strategic commissioning of delegated health and social care functions sit with the IJB.	<p>Clear understanding of accountability and responsibility arrangements and arrangements are in place to ensure these are reflected in local structures. Decisions about the planning and strategic commissioning of delegated functions sit wholly with the IJB and it is making positive and sustainable decisions about changing the shape of care in its localities.</p> <p>The IJB takes full responsibility for all delegated functions and statutory partners are clear about their own accountabilities.</p>
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> • Since the inception of the partnership and the IJB, the IJB has taken all decisions in relation to service change and approved the annual budget • Budget process from Health Board bottom up approach in previous years, moved away from this with final agreed settlement for 2019-20 • Clear Governance Structure of IJB and supporting sub-committees • Updated Terms of Reference for key governance groups, including Performance and Audit Committee and Strategic Planning Group, with roles refocussed • Strong Pan-Ayrshire relationships and partnerships established, for example lead partnership arrangements for delivering services, the established SPOG and finance leads networks and joint meetings with Chief Executives • North Ayrshire HSCP report to both Council and Health Board committees and the Chief Officer and other HSCP officers attend, this is in addition to the formal reporting of the Annual Performance Report, Strategic Plan and operational performance reports. 			

Proposed improvement actions	<ul style="list-style-type: none"> • Standing orders, and key governance documents to be updated, including financial regulations, reserves policy • Induction programme to be developed for IJB members • Ongoing development programme for IJB members based on skills gap analysis
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Indicator 4.2 Accountability processes across statutory partners will be streamlined. (12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Accountability processes unclear, with different rules being applied across the system.	Accountability processes being scoped and opportunities identified for better alignment.	Accountability processes are scoped for better alignment, with a focus on fully supporting integration and transparent public reporting.	Fully transparent and aligned public reporting is in place across the IJB, Health Board and Local Authority.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> Well established arrangements for reporting across statutory partners, with regular reporting to Council and Health Board Committees, attendance and contribution at workshops and regular briefings for IJB members of matters of interest in addition to frequent IJB meetings (every 6 weeks) Inclusive approach to IJB membership, meetings well attended Performance and Audit Committee (PAC) is not a public meeting and therefore papers are not available in the public domain PAC reports to the IJB and via this information is available to the public 			
Proposed improvement actions	<ul style="list-style-type: none"> Explore ways of making performance information more publicly available and accessible (currently integrated report reviewed at non-public Performance and Audit Committee meetings) 			

Proposal 4.3 IJB chairs must be better supported to facilitate well run Boards capable of making effective decisions on a collective basis. (12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	IJB lacks support and unable to make effective decisions.	IJB is supported to make effective decisions but more support is needed for the Chair.	The IJB Chair is well supported, and has an open and inclusive approach to decision making, in line with statutory requirements and is seeking to maximise input of key partners.	The IJB Chair and all members are fully supported in their roles, and have an open and inclusive approach to decision making, going beyond statutory requirements. There are regular development sessions for the IJB on variety of topics and a good quality induction programme is in place for new members. The IJB has a clear understanding of its authority, decision making powers and responsibilities.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> • Open and inclusive approach to IJB, members have deputies to encourage attendance, attendance levels are very good particularly as the IJB meets relatively frequently • Wider representation on IJB than the required minimum, includes Carers, Third and Independent Sectors and the Chairs of Locality Planning Forums (to ensure a link to communities) • Established Locality Partnership Forums • Interactive thematic presentation before formal business at the IJB • Briefing sessions delivered to target particular areas of interest or to provide more detailed update on issues to IJB, for example budget development sessions 			
Proposed improvement actions	<ul style="list-style-type: none"> • Induction programme to be developed for IJB members and a programme of ongoing development for existing members • Improve planning for meetings to ensure a whole system approach to decision making. 			

Proposal 4.4 Clear directions must be provided by IJB to Health Boards and Local Authorities. (6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	No directions have been issued by the IJB.	Work is ongoing to improve the direction issuing process and some are issued at the time of budget making but these are high level, do not direct change and lack detail.	Directions are issued at the end of a decision making process involving statutory partners. Clear directions are issued for all decisions made by the IJB, are focused on change, and take full account of financial implications.	Directions are issued regularly and at the end of a decision making process, involving all partners. There is clarity about what is expected from Health Boards and Local Authorities in their delivery capacity, and they provide information to the IJB on performance, including any issues. Accountability and responsibilities are fully transparent and respected. Directions made to the Health Board in a multi-partnership area are planned on an integrated basis to ensure coherence and take account of the whole system.
Our Rating		√		
Evidence / Notes	<ul style="list-style-type: none"> • Currently limited use of directions, used to communicate at a high level decisions taken by the IJB to partners • Directions are logged and referenced 			
Proposed improvement actions	<ul style="list-style-type: none"> • Ayrshire and Arran HSCP Directions workshops have been established, looking to progress Primary Care and acute set-aside directions first • North Ayrshire HSCP will develop an approach for MH services which we lead and take sample Directions for approval at the pan-Ayrshire workshops • NAHSCP will engage in any SG consultation on revised statutory guidance 			

Proposal 4.5 Effective, coherent and joined up clinical and care governance arrangements must be in place. (6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	<p>There is a lack of understanding of the key role clinical and professional leadership plays in supporting safe and appropriate decision making is not well understood.</p> <p>Necessary clinical and care governance arrangements are not well established.</p>	<p>There is partial understanding of the key role clinical and professional leadership plays in supporting safe and appropriate decision making.</p> <p>Arrangements for clinical and care governance are not clear</p>	<p>The key role clinical and professional leadership plays in supporting safe and appropriate decision making is fully understood. There are fully integrated arrangements in place for clinical and care governance.</p>	<p>The key role clinical and professional leadership plays in supporting safe and appropriate decision making is fully understood. Arrangements for clinical and care governance are well established and providing excellent support to the IJB.</p> <p>Strategic commissioning is well connected to clinical and care governance and there is a robust process for sharing information about, for example, inspection reports findings and adverse events information, and continuous learning is built into the system.</p>
Our Rating			√	
Evidence / Our Notes	<ul style="list-style-type: none"> • Clinical and Care Governance Committee established, reports to IJB • IJB members (Carers rep) are also represented on the Clinical and Care Governance Committee • Professional leads attend IJB for advice and guidance • Service impact including any clinical and care governance impacts are included as part of any budget or service change proposals • Pan Ayrshire Adverse Events Review Group established for a number of years, to provide governance and lessons from harm or near harm events, this approach has been replicated in North Ayrshire with a local AERG now in place to incorporate the wide range of care services delivered by the HSCP • Learning summaries used for a more structured approach to organisational wide learning, ensuring learning is formalised, clearly understood and transparent, fostering a culture of quality improvement 			

Proposed improvement actions	<ul style="list-style-type: none"> • Improvements to link to strategic commissioning and also to any actions taken to address financial overspends, for example more reporting of impact of waiting times for services (as noted as an area of improvement through Joint Inspection), being clear about statutory and non-statutory targets • Feedback from performance reports to inform and direct areas of improvement
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Key Feature 5**Ability and willingness to share information****Proposal 5.1**

IJB annual performance reports will be benchmarked by Chief Officers to allow them to better understand their local performance data. (by publication of reports in July 2019)

Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Work is required to further develop Integration Authority annual reports to improve consistency in reporting, better reflect progress and challenges in local systems, and ensure all statutory required information is reported on by July 2019.	Work is ongoing to further develop Integration Authority annual reports to improve consistency in reporting, better reflect progress and challenges in local systems, and ensure all statutory required information is reported on, by July 2019.	Integration Authority annual reports are well developed to reflect progress and challenges in local systems, and ensure all statutory required information is reported on, by July 2019. Some benchmarking is underway and assisting consistency and presentation of annual reports.	Integration Authority annual reports are well developed to reflect progress and challenges in local systems, to ensure public accessibility, and to support public understanding of integration and demonstrate its impact. The annual report well exceeds statutory required information is reported on. Reports are consistently well presented and provide information in an informative, accessible and readable format for the public.
Our Rating			√	
Evidence / Notes	<ul style="list-style-type: none"> As one of the first formed partnerships NAHSCP has shared progress and learning with other areas on request Annual Performance Report is well developed, is produced in collaboration with partners, stakeholders and services and is promoted widely, the report has been developed to be an accessible user-friendly document. The report is presented to the IJB and to statutory partners Chief Officer actively engaged with Chief Officers Network and will support any work through the Network to undertake any benchmarking No formal benchmarking undertaken of the NA IJB report to other areas by the partnership but officers involved in the co-ordination and input to the report do review other area reports to ensure we reflect best practice and all guidance is followed in relation to statutory requirements. 			

Proposed improvement actions	<ul style="list-style-type: none"> • Reflect on local actions required following any review or benchmarking undertaken by the Chief Officers Group
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Proposal 5.2 Identifying and implementing good practice will be systematically undertaken by all partnerships. (6-12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	<p>Work is required to improve the Integration Authority annual report to identify, share and use examples of good practice and lessons learned from things that have not worked.</p>	<p>Work is about to commence on development of the annual report to enable other partnerships to identify and use examples of good practice.</p> <p>Better use could be made of inspection findings to identify and share good practice.</p>	<p>The Integration Authority annual report is presented in a way that readily enables other partnerships to identify, share and use examples of good practice and lessons learned from things that have not worked.</p> <p>Inspection findings are routinely used to identify and share good practice.</p>	<p>Annual reports are used by the Integration Authority to identify and implement good practice and lessons are learned from things that have not worked. The IJB's annual report is well developed to ensure other partnerships can easily identify and good practice.</p> <p>Inspection findings and reports from strategic inspections and service inspections are always used to identify and share good practice.</p> <p>All opportunities are taken to collaborate and learn from others on a systematic basis and good practice is routinely adapted and implemented.</p>
Our Rating				√
Evidence / Notes	<ul style="list-style-type: none"> • Good practice examples contained throughout APR, this will continue • HSCP representation on national groups and forums to share best practice and ensure HSCP aware of initiatives and programmes in other areas • Inspection findings noted and action taken where appropriate • Requests from other areas to visit North Ayrshire to see our examples of good practice, including Intermediate Care & Rehab, Café Solace, AERG • HSCP visit other areas of best practice, for example visit to Wigan Council which has supported local implementation • Learning from mistakes or things that haven't worked so well, quality improvement culture, tests of service change supported through Challenge Fund • Mental Welfare Commissioning benchmarking exercise 			

Proposed improvement actions	<ul style="list-style-type: none"> • Evaluate the impact of inspection report and agree action plan • Consideration of adopting a systematic approach to canvass IJB reports to allow evaluation and identification of good practice
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Proposal 5.3				
A framework for community based health and social care integrated services will be developed. (6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator				
Our Rating				
Evidence / Notes	NOT FOR LOCAL COMPLETION - NATIONAL BODIES RESPONSIBLE			

Key Feature 6 Meaningful and sustained engagement				
Proposal 6.1 Effective approaches for community engagement and participation must be put in place for integration. (6mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	There is a lack of engagement with local communities around integration.	Engagement is usually carried out when a service change is proposed.	Engagement is always carried out when a service change, redesign or development is proposed.	Meaningful engagement is an ongoing process, not just undertaken when service change is proposed. Local communities have the opportunity to contribute meaningfully to locality plans and are engaged in the process of determining local priorities.
Our Rating				√
Evidence / Notes	<ul style="list-style-type: none"> • HSCP Participation and Engagement Strategy approved and in place • Locality Planning Groups aligned to the CPP areas, refocused role of LPGs during 2018, communication and engagement pilot underway and LPGs have identified key priorities for each area • Public documents are designed to be accessible for communities • Community engagement is carried out in less formal way to get valuable feedback, for example the What Matters to You conversation • Mental Health Strategy consultation carried out at service user population level to ensure meaningful engagement, Carer's Card an example of meaningful engagement and support • Tailored approach to engagement for communities, eg engagement as part of Arran and Cumbrae reviews • Participatory budgeting approaches undertaken • Evidence of consistent engagement for service change and improvement • Chairs of Locality Planning Forums have formal membership of SPG and IJB, updated ToR for LPGs to support engagement • Joint Inspection (Adults) Strategic Commissioning concluded it was evidenced there is "a commitment to involving stakeholders and using feedback from communities, service users and their carers to inform strategic planning" 			

Proposed improvement actions	<ul style="list-style-type: none"> • Communities will be invited to be involved in the HSCP Organisational Change programme being undertaken during 2019 for all staff “<i>Thinking Different, Doing Better</i>” • Further consideration of how to meaningfully engage with hard to reach/less visible populations
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Proposal 6.2 Improved understanding of effective working relationships with carers, people using services and local communities is required. (12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	<p>Work is required to improve effective working relationships with service users, carers and communities.</p>	<p>Work is ongoing to improve effective working relationships with service users, carers and communities.</p> <p>There is some focus on improving and learning from best practice to improve engagement.</p>	<p>Meaningful and sustained engagement with service users, carers and communities is in place.</p> <p>There is a good focus on improving and learning from best practice to maximise engagement and build effective working relationships.</p>	<p>Meaningful and sustained engagement with service users, carers and communities is in place. This is given high priority by the IJB.</p> <p>There is a relentless focus on improving and implementing best practice to maximise engagement. There are well established and recognised effective working relationships that ensure excellent working relationships.</p>
Our Rating				√
Evidence / Notes	<ul style="list-style-type: none"> • HSCP engagement network is established with key partners • Joint Inspection (Adults) Strategic Commissioning concluded that “a commitment to involving stakeholders and using feedback from communities, service users and their carers to inform strategic planning” • Established network of commissioned care providers forums, as a mechanism for providers to also share engagement with carers and communities • Carer’s representative member of IJB, Carer’s Act and local implementation presented to IJB 			
Proposed improvement actions	<ul style="list-style-type: none"> • Build on examples of best practice and joint working • Ensure governance and support for key messages and communication to support consistency 			

Proposal 6.3 We will support carers and representatives of people using services better to enable their full involvement in integration. (6-12mths)				
Rating	Not yet established	Partly Established	Established	Exemplary
Indicator	Work is required to improve involvement of carers and representatives using services.	Work is ongoing to improve involvement of carers and representatives using services.	Carers and representatives on the IJB are supported by the partnership, enabling engagement. Information is shared to allow engagement with other carers and service users in responding to issues raised.	Carers and representatives of people using services on the IJB, strategic planning group and locality groups are fully supported by the partnership, enabling full participation in IJB and other meetings and activities. Information and papers are shared well in advance to allow engagement with other carers and service users in responding to issues raised. Carers and representatives of people using services input and involvement is fully optimised.
Our Rating				√
Evidence / Notes	<ul style="list-style-type: none"> • NA IJB meets frequently, about every 6 weeks, papers are issued one week before • IJB members are open to raise any issues at the meeting or outwith and do so • Joint Inspection (Adults) Strategic Commissioning concluded that “members of the IJB has developed very positive constructive relationships with opportunities for questioning and challenge” • Carers are supported to attend the IJB and reasonable expenses are reimbursed 			
Proposed improvement actions	<ul style="list-style-type: none"> • Benchmark NAHSCP against other partnerships 			

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Local Government Benchmarking Framework (LGBF) 2017/18
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Purpose:	To advise Audit and Scrutiny Committee of the results of the LGBF indicators for 2017/18 and to highlight Directorates' priorities
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Recommendation:	That Audit and Scrutiny Committee notes the LGBF results and priorities identified by Directorates and that further work will continue within Directorates to identify improvement activity in the priority areas.
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1. Executive Summary

- 1.1 This report presents the results of the LGBF indicators for 2017/18 and highlights the Improvement Service's areas for development that will enable us to make further use of the Framework.
- 1.2 This report also highlights in yellow the priorities identified by Directorates as attached in Appendix 1. Appendix 1 also contains the feedback narrative provided by Directorates following analysis of the results in March and April 2019.

2. Background

- 2.1 During the past eight years, North Ayrshire Council has been working with other Scottish councils and the Improvement Service to develop and improve the Local Government Improvement Framework (LGBF). The LGBF brings together a wide range of information about the performance of Scottish councils. The LGBF is designed to:
 - help councils and services better understand why they achieve their current performance levels
 - build understanding of where council performance varies
 - build understanding of why council performance variation occurs
 - help identify and share good practice across councils

- 2.2 The Improvement Service will continue to work to broaden the range of indicators being deployed to support benchmarking. The following priorities have been identified by the Improvement Service to strengthen the LGBF across the next period:
- To ensure the framework has relevance, credibility and timeousness.
 - To better align the LGBF and outcomes.
 - To demonstrate how the framework is being used to inform decision making, drive improvement, and strengthen public accountability.
- 2.3 A performance update will be circulated to Elected Members through North Ayrshire News.
- 2.4 Analysis of the national data highlights that our performance has improved from 2016/17. There are now 80 indicators with five new economic development indicators included this year. There are four indicators where 2017/18 data was not available because they are published only every two years. The charts below show our performance in terms of quartiles for 2016/17 and 2017/18.

Chart 1: 2016/17 LGBF Indicators by Quartile

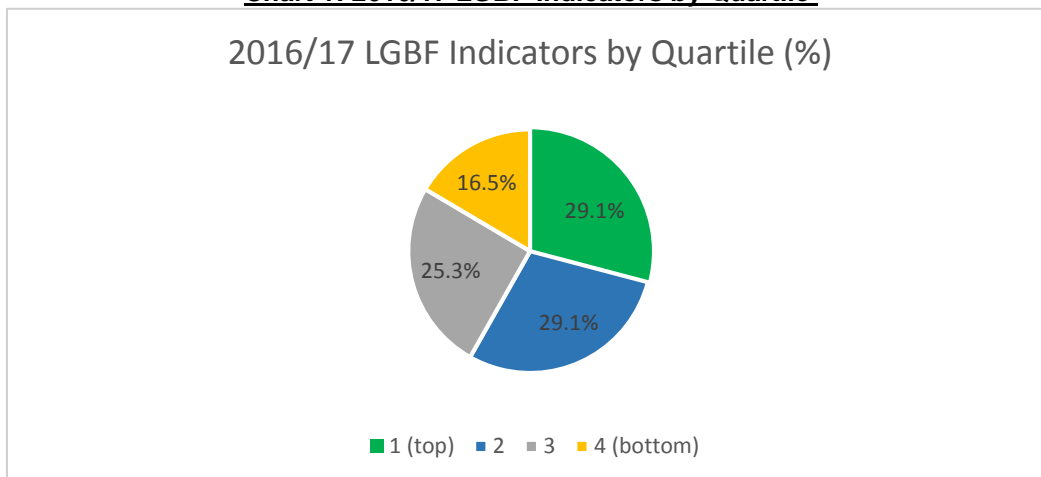
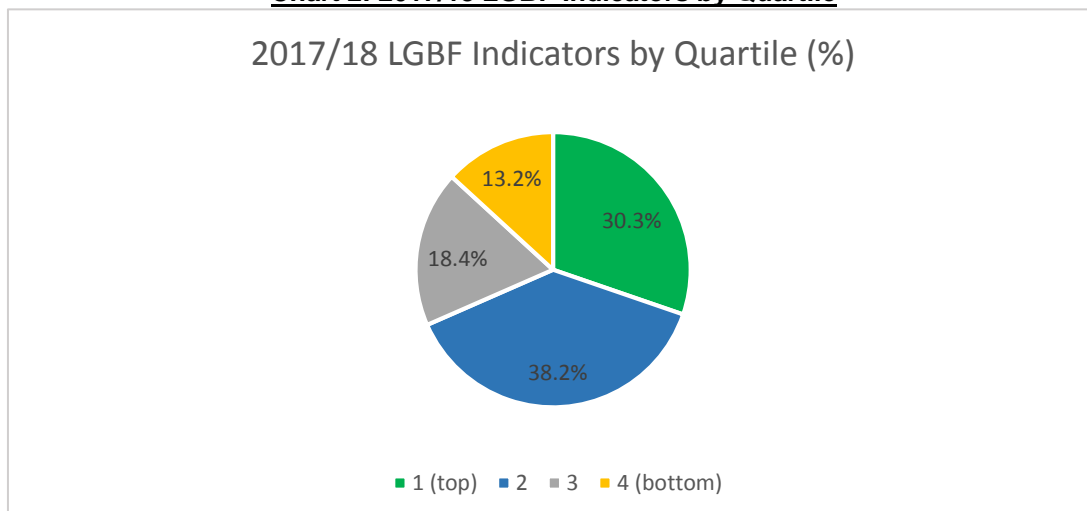


Chart 2: 2017/18 LGBF Indicators by Quartile



- 2.5 The LGBF forms part of our performance management arrangements in terms of driving improvements in key areas. Directorates identified priority areas in 2016. These are areas where a strong or improving performance is of particular importance to North Ayrshire. In March and April 2019 Directorates reviewed their priority areas to ensure alignment to the new Council Plan. The priority indicators are performing well, since last year, 18 of the 24 indicators have performed better, with 8 of the 24 falling in quartile 1 and a further 8 falling in quartile 2.
- 2.6 Following publication of the LGBF data, work has been undertaken with Directorates to analyse our performance and plan for improvements in our key priority areas. The identified priorities and other measures are highlighted in Appendix 1.
- 2.7 A new National Performance Framework (NPF) for building a more successful and inclusive Scotland was launched on 11 June 2018. The NPF sets out a vision for national wellbeing in Scotland across a range of economic, social and environmental factors. It builds on the previous NPF which was introduced in 2007 and refreshed in 2011 and 2016. A mapping exercise of the Council Plan Performance Framework has been carried out and is attached as Appendix 2.
- 2.8 We will continue to use the framework to support our improvement journey. It also assists us to demonstrate Best Value.

3. Proposals

- 3.1 It is proposed that Audit and Scrutiny Committee notes the LGBF priorities identified by Directorates and that work will continue within Directorates to identify improvement activity in the priority areas.

4. Implications/Socio-economic Duty

Financial:	The aim of benchmarking activity is to learn from best practice. This can enable an improved service to be delivered at the same cost, or the same level of service to be delivered at lower cost.
Human Resources:	Some of the indicators detailed in the LGBF, such as that on absence levels, deal specifically with matters relating to Human Resources.

Legal:	Effective benchmarking can be seen not only as a means of improving performance or lowering cost, but of complying with the Council's legal obligation to deliver Best Value.
Equality/Socio-economic Duty:	Some of the indicators detailed in the LGBF, such as those relating to the % of the highest paid 5% of employees who are women and gender pay gap, deal specifically with equality. Others show a clear link between performance and deprivation and equality in its wider sense.
Children and Young People:	Some of the LGBF indicators, such as education attainment, deal specifically with matters relating to Children and Young People and help us demonstrate the progress we are making to delivering better outcomes for Children and Young People.
Environmental & Sustainability:	Numerous indicators relate to environmental issues.
Key Priorities:	Implementation of effective benchmarking practices across the Council will help support the Council's strategic priorities.
Community Benefits:	There are no community benefit implications.

5. Consultation

- 5.1 The Executive Leadership Team discussed this report on 25 April 2019 and Cabinet discussed this report on 14 May 2019.

Craig Hatton
Chief Executive

For further information please contact **Lauren Cameron, Policy Officer, Democratic Services**, on **01294 324160**.

Background Papers

Nil

All Indicators - Directorate Priorities have been highlighted in yellow

Education and Youth Employment

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
CHN1 Cost Per Primary School Pupil	£4,976	£5,080	↓	16	16	↓	2	2	↓	Performance has declined. Position maintained in Quartile (Q) 2.	Data Only Indicator
CHN2 Cost per Secondary School Pupil	£7,248	£7,572	↓	23	28	↓	3	4	↓	Performance has declined. Declined from Q3 to Q4.	Data Only Indicator
CHN3 Cost per Pre-School Education Registration	£4,838	£5,012	↓	21	22	↓	3	3	↓	Performance has declined. Position maintained in Q3.	Data Only Indicator
CHN4 % achieving 5 or more awards at SCQF Level 5	61.00	60.00	↓	14	21	↓	2	3	↓	Performance has declined. Declined from Q2 to Q3.	Schools are targeting this measure and design actions and interventions to improve performance. Curriculum design ensures pupils get the appropriate breadth and depth of learning for their ability and aspirations.
CHN5 % achieving 5 or more awards at SCQF Level 6	32.00	30.00	↓	18	23	↓	3	3	↓	Performance has declined. Position maintained in Q3.	Although a dip from previous year's performance the level of the indicator is considerably higher than the position in 2015/16. Secondary Head Teachers have been focusing on this indicator in their performance self-evaluation process. Schools have set targets for pupil's attainment at SCQF Level 6 or better and will design actions and interventions to ensure continuous improvement of pupils' experiences and achievements.
CHN6 % of pupils living in the 20% most deprived areas gaining 5+ awards at level 5	46.00	45.00	↓	7	10	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	The segment of S6 school population in 20% most deprived areas is considerably higher in North Ayrshire than in most authorities in Scotland and schools have consistently monitored their performance to ensure a gradual reduction in the deprivation-induced attainment gap. We aim to reduce annual variation in performance and maintain an improving trend in the medium/long-term.
CHN7 % of pupils living in the 20% most deprived areas gaining 5+ awards at level 6	18.00	17.00	↓	8	12	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	We aim to maximise performance in this measure, reinforcing our work to significantly reduce the poverty-related attainment gap over the long/medium term. Improved attainment at higher awards will contribute towards increasing the opportunities available to young people from

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
											more deprived areas to access higher education. This is encouraged through programmes such as Reach or Top-up offered by some universities for pupils from schools located in the 30% most SIMD deprived areas.
CHN10 % of Adults Satisfied with Local Schools	81.33	80.00	↓	13	7	↑	2	1	↑	Performance has declined. Improved from Q2 to Q1.	We aim to maintain and improve the reputation of North Ayrshire schools by increasing engagement and involvement of parents in young people's education and school life.
CHN11 Proportion of Pupils Entering Positive Destinations	93.40	95.60	↑	21	10	↑	3	2	↑	Performance has improved. Improved from Q3 to Q2.	In 2018, the percentage of leavers into positive destinations has increased again, following the dip in performance in 2017. 95.6% of 2018 school leavers have moved on to positive post-school destinations, exceeding the Virtual Comparator and National performance.
CHN 12a Overall Average Total Tariff	884	854	↓	18	20	↓	3	3	▬	Performance has declined. Position maintained in Q3.	Ensuring levels of attainment & achievement are improving for all learners is a key priority for Education & Youth Employment. In order to ensure consistency across the Education Service, while focusing on the same attainment data, insight performance indicators are utilised in Directorate Planning & National Improvement Framework reporting. Insight indicators are calculated using a slightly different methodology from LGBF indicators. The Directorate aim to focus on maximising attainment for all through a curriculum which meets the needs of all. Following completion of a review of curriculum structure in Senior Phase, which was based on analysis of current data, it is anticipated performance will increase next year. While there has been some slippage in Quartile ranking from 2016-17 to 2017-18, North Ayrshire remains in the top two Quartiles for almost all indicators, despite being one of most deprived local authority areas in Scotland. The Education Service continue to make good progress in further reducing the poverty related attainment gap through initiatives funded through the Scottish Attainment Challenge & Pupil Equity Funding.
CHN 12b Average Total Tariff SIMD Quintile 1	695	662	↓	4	9	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	
CHN 12c Average Total Tariff SIMD Quintile 2	803	836	↑	9	6	↑	2	1	↑	Performance has improved. Improved from Q2 to Q1.	
CHN 12d Average Total Tariff SIMD Quintile 3	1042	1039	↓	5	4	↑	1	1	▬	Performance has declined. Position maintained in Q1.	
CHN 12e Average Total Tariff SIMD Quintile 4	1097	1043	↓	10	13	↓	2	2	▬	Performance has declined. Position maintained in Q2.	
CHN 12f Average Total Tariff SIMD Quintile 5	1222	1191	↓	12	14	↓	2	2	▬	Performance has declined. Position maintained in Q2.	
CHN 18 % of funded early years provision which is graded good/ better	98.33	95.16	↓	5	9	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	We are aiming for a 100% evaluation of our early years funded provision as good/better to emphasise the strive for excellence in the Early Years education sector in North Ayrshire.

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
CHN 19a School attendance rates (per 100 pupils)	92.60	n/a	n/a	26	n/a	n/a	4	n/a	n/a	Data published every two years. Data is not available for 2017/18.	
CHN 19b School attendance rates (per 100 'looked after children')	91.60	n/a	n/a	10	n/a	n/a	2	n/a	n/a		
CHN 20a School exclusion rates (per 1000 pupils)	19.72	n/a	n/a	10	n/a	n/a	2	n/a	n/a		
CHN 20b School exclusion rates (per 1000 'looked after children')	54.70	n/a	n/a	9	n/a	n/a	2	n/a	n/a		
CHN 21 Participation rate for 16-19 year olds (per 100)	90.30	91.10	↑	23	24	↓	3	3	▬	Performance has improved. Position maintained in Q3.	While the performance in this indicator is not completely under the control of education services, the provision of the appropriate skills, knowledge and readiness for the world of work is the ultimate focus of quality teaching and learning in our schools. We aim to provide curriculum choice and career opportunities adapted to the needs of North Ayrshire young people, as well as of the local businesses and community.
Corp 6a Sickness Absence Days per Teacher	5.88	5.73	↑	17	15	↑	3	2	↑	Performance has improved. Improved from Q3 to Q2.	Continue to provide a working environment in schools that will foster maximising attendance of teaching staff. Maintain position in Quartile 1 or 2.

Finance and Corporate Support






















Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
Corp 1 Support services as a % of Total Gross expenditure	2.28	2.49	↓	1	2	↓	1	1	▬	Performance has declined. Position maintained in Q1.	Maintain current quartile.
Corp 3b The % of the highest paid 5% of employees who are women¹	55.51	55.47	↓	7	10	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	Appointments secured on merit.
Corp 3c The gender pay gap¹	1.16	1.53	↓	7	7	▬	1	1	▬	Performance has declined. Position maintained in Q1.	Formal reporting of this every second year. Maintain top quartile performance.







¹ Council wide indicators.

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank- /+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
Corp 4 The cost per dwelling of collecting Council Tax	£7.81	£7.65	↑	10	16	↓	2	2	→	Performance has improved. Position maintained in Q2.	Continue to focus on this – aim to move to quartile 1
Corp 6b Sickness Absence Days per Employee (non-teacher) ¹	10.88	10.81	↑	16	13	↑	2	2	→	Performance has improved. Position maintained in Q2.	Aim for top quartile performance.
Corp 7 % of income due from Council Tax received by the end of the year	94.68	94.83	↑	28	29	↓	4	4	→	Performance has improved. Position maintained in Q4.	We seek to maximise collection in year, our Band profile makes this difficult. Aim is to secure 96.5% over the medium term. Income collection review is being progressed in 2019/20.
Corp 8 % of invoices sampled that were paid within 30 days ¹	92.96	91.83	↓	18	21	↓	3	3	→	Performance has declined. Position maintained in Q3.	Business improvement has been undertaken with further work planned in 2019/20. Aim in the short term to secure 2 nd quartile performance.
Econ4 % of procurement spent on local small/ medium enterprises	16.62	19.75	↑	28	23	↑	4	3	↑	Performance has improved. Improved from Q4 to Q3.	Within the confines of procurement regulations and legislation we will maximise the opportunities to procure from local businesses and SMEs. Integra gives us the opportunity to refine our data and ensure more accurate reporting of this.










Health and Social Care Partnership










Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank- /+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
CHN8a The Gross Cost of "Children Looked After" in Residential Based Services per Child per week	£2591	£3256	↓	6	13	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	Although costs have increased, we are lower than national figure (£3,485) and 4 th highest of 7 in our LGBF family group of similar councils who provided the data. Compared to the end of 16/17 we had less children overall in residential placements, but more in the more expensive placements therefore making the cost per child increase. All residential placements now have to be approved through the head of service.
CHN8b The Gross Cost of "Children Looked After" in a Community Setting per Child per Week	£313.42	£320.06	↓	17	17	→	3	3	→	Performance has declined. Position maintained in Q3.	Very slight increase compared to last year. Lower than the national figure (£328) and 2 nd highest of 7 in our LGBF family group of similar councils who provided the data. Overall there were less children in community placements compared to last year.
CHN9 Balance of Care for looked after children: % of children being looked after in the community	86.84	88.63	↑	23	16	↑	3	2	↑	Performance has improved. Improved from Q3 to Q2.	Improvement from last year. Slightly lower than national figure (89.7%) and 4 th highest of 7 in our LGBF family group of similar councils who provided the data. It is hoped this will to

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance +/-	2016/17 Rank	2017/18 Rank	Rank-/+	2016/17 Quartile (Q)	2017/18 Q	Quartile +/-	Performance Summary	Commentary on performance, improvement activity and future aspirations
											continue to increase due to all residential placements now having to be approved through the head of service.
CHN 17 % of children meeting developmental milestones	76.19	74.34		10	15		2	2		Performance has declined. Position maintained in Q2.	Considerably higher than national figure (57%) and 2 nd highest of 6 in our LGBF family group of similar councils who provided the data.
CHN 22 % of child protection re-registrations within 18 months	7.19	4.78		21	16		3	2		Performance has improved. Improved from Q3 to Q2.	Performance has improved as the figure has decreased from last year as desired. We are also lower than the national figure (6.1%) and second lowest of our LGBF family group of similar councils. More enhanced support following de-registration has contributed to this.
CHN 23 % of LAC with more than 1 placement in the last year (Aug-Jul)	21.71	19.54		17	11		3	2		Performance has improved. Improved from Q3 to Q2.	Performance has improved since last year as the figure has decreased. We are also lower than the national figure (20.5%) and 3 rd lowest of 7 in our LGBF family group of similar councils. Additional training and support has been provided to foster carers and kinship carers to prevent breakdown of placements.
SW1 Older Persons (Over 65) Home Care Costs per Hour	£28.93	£30.00		26	26		4	4		Performance has declined. Position maintained in Q4.	Cost has increased from last year and is above national figure (£23.76). We are 2 nd highest of 8 in our LGBF family group of similar councils who returned data. 3.7% increase in costs which reflects increases in salary costs inc Living Wage.
SW2 SDS spend on adults 18+ as a % of total social work spend on adults 18+	2.34	2.57		28	29		4	4		Performance has improved. Position maintained in Q4.	Slight increase from last year. We are lower than the national figure (7%) and 3 rd lowest of 8 in our LGBF family group of similar councils who returned data. Support is being enhanced with a new collaboration with the Community Brokerage Network (CBN) that has secured funding to work beyond East Ayrshire.
SW3a % of people aged 65 and over with long-term care needs who receiving personal care at home	63.87	65.80		13	13		2	2		Performance has improved. Position maintained in Q2.	Increase from last year and higher than the national figure (61.7%). We are 3 rd lowest of 8 in our LGBF family group of similar councils who returned data. This increase is in line with changes in the demographics of the area.
SW4a % of adults receiving any care or support who rate it as excellent or good	79.29	77.84		24	25		3	4		Performance has declined. Declined from Q3 to Q4	Slight decrease in performance from last year. We are below the national figure (80.2%) and second lowest of 8 in our LGBF family group of similar councils who returned data.
















Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
SW4b % of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life	82.46	82.39		22	9		3	2		Performance has declined. Improved from Q3 to Q2.	Although there was a slight drop in performance compared to last year, the national rank has increased from 22 nd to 9 th and we are above the national figure (80%) and 2 nd highest of 8 in our LGBF family group of similar councils who returned data.
SW5 Older persons (over 65's) Residential Care Costs per week per resident	£361	£354		11	14		2	2		Performance has improved. Position maintained in Q2.	Performance has improved since last year as costs have decreased. We are below the national figure (£372) and 3 rd lowest of 8 in our LGBF family group of similar councils who returned data.

Economy and Communities
















Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
C&L1 Cost per attendance at Sports facilities	£3.38	£2.08		20	10		3	2		Performance has improved. Improved from Q3 to Q2.	Investment in new leisure facilities at Garnock Campus and the Portal has resulted in more cost effective services. A combination of work by KA Leisure and Active Schools and the Active Communities Strategy have resulted in a rise in attendances, expected to continue with the introduction of the Largs Campus and future investment in leisure facilities. Aim to maintain Q2.
C&L2 Cost Per Library Visit	£1.62	£2.30		8	14		1	2		Performance has declined. Declined from Q1 to Q2.	We have taken a deliberate approach to shift many of our services online. Following a recommendation by Internal Audit, social media interactions were removed from this PI so it now mostly records physical footfall. Lobbying is taking place at a national level with the Improvement Service to have this indicator changed so it more fully reflects the Library Service. The costs include back office Council costs as well as service costs. We continue to deliver a full programme of award winning events for our communities. The review of community facilities and libraries make remaining in Q2 a challenge however we aim to maintain the current quartile.
C&L3 Cost of Museums per Visit	£0.29	£0.27		1	2		1	1		Performance has improved. Position maintained in Q1.	Investment in the Portal and the focus on co-curated exhibitions with local groups has resulted in the introduction of a high street heritage facility which is attracting significant
















Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank -/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
											footfall. A full programme of exhibitions, classes and events has been launched with the new Townhouse. The Heritage Centre roof repairs have taken longer than anticipated and merged with other scheduled restoration work keeping this centre closed for the reporting period. Aim to maintain Q1.
C&L5a % of adults satisfied with libraries	92.00	91.00		2	2		1	1		Performance has declined. Position maintained in Q1.	Library services are striving to provide a high-quality range of library services normally only available in affluent city-centres, within a tight budget. Aspirations are to sustain high satisfaction levels with a blend of innovative and traditional services, delivered by well trained staff. The introduction of programmes such as the pop-up digital events, DigiDabble, coding and Makerspaces have contributed to customer satisfaction and maintaining the second highest position in Scotland. The review of community facilities and libraries make remaining in the current quartile a challenge however we aim to maintain Q1.
C&L5c % of adults satisfied with museums and galleries	74.00	71.33		13	13		2	2		Performance has declined. Position maintained in Q2.	Levels of exhibition activity and programme diversity are intended to improve customer satisfaction, however the staff team are now working across the Heritage Centre and Portal, resulting in a significant reduction in opening hours at the Heritage Centre. The Creative Scotland Place Partnership will fund a Creative Connector - Place Partnership Officer to carry out research, capacity building and audience & participation development. Future plans include more co-curated community exhibitions as well as bringing high –profile national touring exhibitions into North Ayrshire and making better use of community spaces for museums, arts and galleries interpretative work. We aim to maintain Q2.
C&L5d % of adults satisfied with leisure facilities	72.33	72.67		23	19		3	3		Performance has improved. Position maintained in Q3.	Investment in new leisure facilities at Garnock Campus and the Portal is intended to increase customer satisfaction. In addition facilities for disability groups have radically improved. Further investment in Largs Campus and a new ASN school campus provide opportunities for increasing satisfaction, along with the promotional work of the Active Communities

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance +/-	2016/17 Rank	2017/18 Rank	Rank +/-	2016/17 Quartile (Q)	2017/18 Q	Quartile +/-	Performance Summary	Commentary on performance, improvement activity and future aspirations
											Strategy. KA Leisure have several innovative health partnerships including recovery from Heart/Stroke and Mind and Be Active. The DrEAM (Drop Everything and Move) event attracted significant social media engagement. We aim to improve our performance.
ENV5a Cost of Trading Standards, Money Advice & Citizen Advice per 1,000 population	£3,787	£3,542	↑	10	7	↑	2	1	↑	Performance has improved. Improved from Q2 to Q1.	Various reviews on the future of Trading Standards are taking place at national level and any outcomes will be monitored and implemented as required to meet local and national priorities.
ENV5b Cost of environmental health per 1,000 population	£13,722	£10,818	↑	12	6	↑	2	1	↑	Performance has improved. Improved from Q2 to Q1.	All expenditure will be monitored to ensure costs are balanced with the risks.
Econ1 % of Unemployed People Assisted into work from Council Funded/ Operated Employability Programmes	14.67	22.72	↑	13	6	↑	2	1	↑	Performance has improved. Improved from Q2 to Q1.	Performance has risen as expected as the North Ayrshire Council employability service reached full delivery capacity in the final year of the phase of funding. This PI is limited in terms of benchmarking as authorities who take a more targeted approach will suffer in terms of ranking – as it does not measure the effectiveness or appropriateness of delivery, merely the scale. North Ayrshire intends to take a more targeted approach to supporting unemployed residents, with more focus on those most in need of support. As a result, the ranking in future years could fall.
Econ2 Cost per planning application	£3,859	£4,221	↓	8	10	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	Ranking has dropped from 8th to 10th place however we continue to be below the national average. Although higher than last year, the cost per application is the second lowest since 2010. The indirect costs in the Local Financial Return (LFR) impact on this figure. Planning applications increased from 600 to 680 in 17/18 and the type and complexity of the planning application varies. The size and scale of planning applications varies from year to year and arguably the larger and more complex planning applications, which are most staff intensive to resource, bring the biggest economic benefits to the area.
Econ3 Average Time Per Commercial Planning Application	6.49	5.71	↑	2	1	↑	1	1	→	Performance has improved. Position maintained in Q1.	NAC has fluctuated in either 1st or 2nd ranking since 2013/14 and certainly have the most consistent performance of all 32 councils in this










Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance +/-	2016/17 Rank	2017/18 Rank	Rank +/-	2016/17 Quartile (Q)	2017/18 Q	Quartile +/-	Performance Summary	Commentary on performance, improvement activity and future aspirations
											indicator. This indicator should not be a priority for NAC.
Econ5 No of business gateway start-ups per 10,000 population	22.37	22.39		5	7		1	1		Performance has improved. Position maintained in Q1.	It is hoped that start-ups can continue to rise. There is a focus on high value start ups to help increase the impact on the local economy.
Econ6 Cost of Economic Development & Tourism per 1,000 Population	£128,211	£147,323		28	27		4	4		Performance has declined. Position maintained in Q4.	This is a new indicator for 2017-18. Our ranking has improved from 28th to 27th place although our costs have increased. Tourism costs include policy, marketing and development and promotional events. In 2017/18 we hosted the Men and Ladies' Scottish Open Golf events and the Council committed additional tourism budget. This PI also includes indirect costs.
Econ7 Proportion of people earning less than the living wage	27.10	21.40		25	17		4	3		Performance has improved. Improved from Q4 to Q3.	This is a new indicator for 2017-18. While recent performance is encouraging, the data is survey based which is subject to quite high margins of error – as a result we believe caution should be observed with annual movements in performance and long term trends given the focus.
Econ8 Proportion of properties receiving superfast broadband	88.00	92.35		18	18		3	3		Performance has improved. Position maintained in Q3.	This is a new indicator for 2017-18. The ranking has remained at 18th place. The proportion has increased from 88% to 92.35%. Allied to this indicator, is a requirement to encourage more companies to trade online. North Ayrshire Council has limited influence on the rollout of the infrastructure.
Econ9 Town Vacancy Rates	n/a	9.99	n/a	n/a	14	n/a	n/a	2	n/a	2016/17 data is not available.	This is a new indicator for 2017-18. Six councils did not submit a return for this indicator. In order to measure all our towns, we rely on contractors, so this indicator has a resource implication. National average town centre vacancy rates are 9.3%. North Ayrshire has 11 towns that are measured with an overall average rate of 9.9%.
Econ10 Immediately available employment land as a % of total land allocated for employment purposes in the local development plan	7.19	63.03		29	6		4	1		Performance has improved. Improved from Q4 to Q1.	This is a new indicator for 2017-18. We have improved significantly from 29th to being ranked 6th. The amount of available land has increased from 7.19% to 63.03%. It is unclear whether this is “shovel ready” or established units. Developments at Annickbank and Quarry Road were completed during this period.

Place

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank- /+	2016/17 Quartile (Q)	2017/18 Q	Quartile - /+	Performance Summary	Commentary on performance, improvement activity and future aspirations
C&L4 Cost of Parks & Open Spaces per 1,000 Population	£30,009	£23,426		28	22		4	3		Performance has improved. Improved from Q4 to Q3.	Comprehensive review of costs included in Indicator carried out together with Benchmarking with East Ayrshire Council to compare performance. Measures put in place to accurately reflect costs by removing certain costs in line with published guidance going forward will see improved performance. Continue to reduce in line with Council budgetary decision.
C&L5b % of adults satisfied with parks and open spaces	81.00	78.33		26	29		4	4		Performance has declined. Position maintained in Q4.	The Improvement Service now pull satisfaction data from the Scottish Household Survey to present in a 3 year rolled average to deliver the required level of precision at a local level. By rolling the data across the 3 years, the confidence interval for all figures are within 5.5%. This latest data on Scottish Government website is 'Scotland's People Annual Report Results from the 2016 Scottish Household Survey' published in September 2017. Scottish Household Survey being used as basis for this indicator which is a very small proportion of NAC residents. Improve satisfaction through greater community involvement and Participatory Budget approach.
ENV1a Net cost per Waste collection per premises	£55.64	£52.76		11	7		2	1		Performance has improved. Improved from Q2 to Q1.	Following the change to alter the organic waste collection service to fortnightly in November 2017, performance against this indicator improved in 2017/18. Ongoing actions to reduce the associated cost of absence on the waste collection service aims to improve performance against this indicator further.
ENV2a Net cost per Waste disposal per premises	£103.74	£91.07		22	12		3	2		Performance has improved. Improved from Q3 to Q2.	Performance against this indicator improved in 2017/18 through the impact of an innovative contract for the processing of the blue bin waste resulting in reduced processing costs. The implementation of an enhanced waste and recycling collection service in April 2019 should increase recycling and reduce the associated cost of waste disposal.
ENV3a Net cost of street cleaning per 1,000 population	£15,065	£13,690		21	21		3	3		Performance has improved. Position maintained in Q3.	Continue to reduce in line with Council budgetary constraints. Review of allocation to be undertaken to ensure we are in line with LFR guidance.

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance +/-	2016/17 Rank	2017/18 Rank	Rank-/+	2016/17 Quartile (Q)	2017/18 Q	Quartile -/+	Performance Summary	Commentary on performance, improvement activity and future aspirations
ENV3c Street Cleanliness Score	90.60	92.19		29	20		4	3		Performance has improved. Improved from Q4 to Q3.	An improvement action plan was developed which included regular operational review and monitoring of performance via informal mini LEAMS audits, the targeting of operational resources to hot spot littering areas, complemented by the alignment of activities carried out by the Env Enf Team to target hot spot littering areas to reduce the incidence of littering. This has had a positive effect in an improved LEAMS cleanliness score for 2017/18 which has continued in 2018/19 when a further improved score of 94.5% was achieved.
ENV4a Cost of maintenance per kilometre of roads	£11,430	£11,357		16	16		2	2		Performance has improved. Position maintained in Q2.	Improvement Service are currently working with SCOTS/ APSE to replace this measure, however they wish to do further work to provide robust time series data before this is included. They have worked with the Directors of Finance subgroup to amend the current measure to include capital and revenue to provide a more meaningful measure of expenditure. Performance has declined.
ENV4b % of A class roads that should be considered for maintenance treatment	36.19	36.22		28	28		4	4		Performance has declined. Position maintained in Q4.	Extra funding has been allocated for 2018-19. Due to timing of the SRMCS surveys we expect to see improvement in RCI reported in 2019-20. Performance directly related to investment. Funding targeted towards A class, B class and C class and unclassified on a prioritisation basis to improve RCI scores.
ENV4c % of B class roads that should be considered for maintenance treatment	36.83	39.25		24	25		3	4		Performance has declined. Declined from Q3 to Q4.	Performance has marginally declined principally due to reduced capital in 2016/17, however extra funding has been allocated for 2018-19. Due to timing of the SRMCS surveys we expect to see improvement in RCI reported in 2019-20. Performance directly related to investment. Funding targeted towards A class, B class and C class and unclassified on a prioritisation basis to improve RCI scores.
ENV4d % of C class roads that should be considered for maintenance treatment	50.76	51.29		31	31		4	4		Performance has declined. Position maintained in Q4.	Performance has marginally declined principally due to reduced capital in 2016/17, however extra funding has been allocated for 2018-19. Due to timing of the SRMCS surveys we expect to see improvement in RCI reported in 2019-20. Performance directly related to investment. Funding targeted towards A class, B class and

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance +/-	2016/17 Rank	2017/18 Rank	Rank- /+	2016/17 Quartile (Q)	2017/18 Q	Quartile - /+	Performance Summary	Commentary on performance, improvement activity and future aspirations
											C class and unclassified on a prioritisation/ basis to improve RCI scores.
ENV4e % of unclassified roads that should be considered for maintenance treatment	34.55	35.18	↓	8	15	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	Performance has declined marginally. Despite additional funding being allocated for 2018-19, due to the significant deterioration as a result of the severe winter weather, and the targeting of classified roads for treatment to improve Road Condition Indicators, it is expected that current condition of the unclassified road network may deteriorate further, although alternative patching works are being carried out to try and maintain current condition. Performance is directly related to investment.
ENV6 The % of total household waste arising that is recycled	55.31	55.79	↑	5	7	↓	1	1	▬	Performance has improved. Position maintained in Q1.	Household waste recycling performance increased slightly in 2017/18 through the continued education and promotion of the 'Right stuff Right bin' campaign to encourage and increase participation in our recycling services. The implementation of an enhanced waste and recycling collection service in April 2019 should increase household waste recycling performance to allow achievement of the Scottish Government's target to recycle 60% of household waste by 2020.
ENV7a % of adults satisfied with refuse collection	87.67	87.67	▬	7	6	↑	1	1	▬	Performance has remained the same. Position maintained in Q1.	Performance against this indicator for 2017/18 remained the same as the previous year, as the indicator is based on a rolling average and the national household survey is not conducted annually. As a major waste collection service change is planned for April 2019, then this could potentially adversely affect this performance indicator during 2019/20 as householders become accustomed to the new collection service.
ENV7b % of adults satisfied with street cleaning	78.33	75.67	↓	9	7	↑	2	1	↑	Performance has declined. Improved from Q2 to Q1.	The Improvement Service now pull satisfaction data from the Scottish Household Survey to present in a 3 year rolled average to deliver the required level of precision at a local level. By rolling the data across the 3 years, the confidence interval for all figures are within 5.5%. This latest data on Scottish Government website is 'Scotland's People Annual Report Results' from the 2016 Scottish Household Survey' published in September 2017.

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance -/+	2016/17 Rank	2017/18 Rank	Rank- /+	2016/17 Quartile (Q)	2017/18 Q	Quartile - /+	Performance Summary	Commentary on performance, improvement activity and future aspirations
											We are reviewing what methods the Scottish Household Survey are using to collate information and improve satisfaction through greater community involvement. Performance monitoring in place to improve operational performance and targeting of resources to areas of greatest need. Continue to improve cleanliness through Environmental Enforcement and Educational activities to reduce prevalence of litter requiring removal. Continue to promote responsible behaviour.
HSN1b Gross rent arrears (all tenants) as at 31 March each year as a % of rent due for the reporting year	3.39	3.59		3	3		1	1		Performance has declined. Position maintained in Q1.	The slight decline in performance in 17/18 reflects the roll out of Universal Credit (UC) full service in North Ayrshire in November 2017. A contributing factor is an increase in UC claimants and associated 'technical arrears' due to UC being paid in arrears to tenants. 18/19 performance, including technical arrears, is 4.06%, which is slightly worse than 2017/18 and reflects the increased number of tenants on UC. Excluding technical arrears for 18/19, arrears are 3.34%, which is below the target of 4.0%.
HSN2 % of rent due in the year that was lost due to voids	0.33	0.35		1	1		1	1		Performance has declined. Position maintained in Q1.	Performance has declined slightly but is still within the HRA Business Plan target of 0.5%. In 2018/19 the outturn was 0.45%, which was mainly due to the volume of work being carried out on void properties. This includes an enhanced standard being applied for tenants being rehoused as part of the Irvine high flats regeneration project. In addition to this, the volume of capital work required in other void properties has increased and led to longer completion times. The work required at the void stage is under review and processes are being refined, therefore an improvement is expected during 2019/20.
HSN3 % of council dwellings meeting Scottish Housing Standards	98.67	99.14		3	4		1	1		Performance has improved. Position maintained in Q1.	At 31 March 2019, 99.18% of North Ayrshire Council's housing stock achieved the Scottish Housing Quality Standard. The small percentage of properties which fail the standard have been investigated. There are two main reasons for these properties failing, which are (1) access issues which prevent improvement works from being carried out; and (2) mixed

Indicator Ref and Name	2016/17 Value	2017/18 Value	Performance +/-	2016/17 Rank	2017/18 Rank	Rank- /+	2016/17 Quartile (Q)	2017/18 Q	Quartile - /+	Performance Summary	Commentary on performance, improvement activity and future aspirations
											tenure issues. We continue to work with local Housing Offices and utilise the Customer Liaison and Factoring Services to help overcome these issues.
HSN4b Average number of days taken to complete non-emergency repairs	7.85	5.51	↑	12	6	↑	2	1	↑	Performance has improved. Improved from Q2 to Q1.	Introduction of a new staffing structure within Building Services has seen approximately 37% improvement on the average days taken to complete non-emergency housing repairs, resulting in top quartile performance.
HSN5 % of council dwellings that are energy efficient	99.48	99.93	↑	10	7	↑	2	1	↑	Performance has improved. Improved from Q2 to Q1.	The percentage of council houses that are compliant with the EESSH standard is 99.9%. Additional energy efficiency measures (new gas central heating installations, loft insulation and external wall insulation) are currently being implemented to deal with the small number of properties that do not comply.
Corp asset 1 Proportion of operational buildings that are suitable for their current use	91.63	89.91	↓	5	11	↓	1	2	↓	Performance has declined. Declined from Q1 to Q2.	The ongoing property rationalisation programme means that the number of operational buildings is reducing year on year. Suitability surveys such as accessibility audits and condition surveys are carried out across the property portfolio on a 5 year rolling programme. Capital and revenue investment is directed towards maintaining our buildings' condition and addressing any suitability issues. Overall performance is dependent on the suitability of any buildings disposed of during the year, survey findings and the level of investment undertaken. The Property Management team will continue to monitor property condition and suitability and target investment towards those buildings in greatest need.
Corp asset 2 Proportion of internal floor area of operational buildings in satisfactory condition	99.66	99.66	▬	1	1	▬	1	1	▬	Performance has remained the same. Position maintained in Q1.	The asset rationalisation work being undertaken by the Strategic Property Assets Group (SPAG) will enable the current performance to be maintained.

Improving	No change	Worsening
↑	▬	↓

Appendix 2: Council Plan and National Performance Framework

The following tables demonstrate the alignment of the National Performance Framework against the draft new Council Plan 2019-2024. There is a good alignment with all the Outcomes from the Council Plan against the National Performance Framework.

The initial table is looking at the overall vision, missions and values whilst the second table is looking into the actual outcomes.

Table 1: Mission, Vision and Values Alignment

National Performance Framework	NAC Council Plan
Our Purpose: To focus on creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth	Our Vision: A North Ayrshire that is 'Fair for All' Our Mission: Working together to improve well-being, prosperity and equity in North Ayrshire.
Our Values: We are a society which treats all our people with kindness, dignity and compassion, respects the rule of law, and acts in an open and transparent way	Our Values: Passion, Focus and Inspiration

Table 2: Outcomes

National Performance Framework National Outcomes	NAC Council Plan
We have a globally competitive, entrepreneurial, inclusive and sustainable economy	<ul style="list-style-type: none"> North Ayrshire has an inclusive, growing and enterprising economy North Ayrshire is well-connected with effective infrastructure
We are open, connected and make a positive contribution internationally	<ul style="list-style-type: none"> North Ayrshire has an inclusive, growing and enterprising economy
We tackle poverty by sharing opportunities, wealth and power more equally	<ul style="list-style-type: none"> North Ayrshire has an inclusive, growing and enterprising economy
We live in communities that are inclusive, empowered, resilient and safe	<ul style="list-style-type: none"> North Ayrshire has active and strong communities North Ayrshire's residents and communities are safe North Ayrshire has homes that meet our residents needs
We grew up loved, safe and respected so that we realise our full potential	<ul style="list-style-type: none"> North Ayrshire has active and strong communities North Ayrshire's children and young people have the best start in life North Ayrshire's residents and communities are safe
We are all well educated, skilled and able to contribute to society	<ul style="list-style-type: none"> North Ayrshire's children and young people have the best start in life

	<ul style="list-style-type: none"> • A valued workforce that delivers high quality services
We have thriving and innovative businesses, with quality jobs and fair work for everyone	<ul style="list-style-type: none"> • North Ayrshire has an inclusive, growing and enterprising economy
We are healthy and active	<ul style="list-style-type: none"> • North Ayrshire's children and young people have the best start in life • North Ayrshire's residents and communities enjoy good life-long health and well-being
We value, enjoy, protect and enhance our environment	<ul style="list-style-type: none"> • North Ayrshire has active and strong communities • North Ayrshire is a vibrant, welcoming and attractive environment • North Ayrshire is a sustainable environment
We are creative and our vibrant and diverse cultures are expressed and enjoyed widely	<ul style="list-style-type: none"> • North Ayrshire has active and strong communities
We respect, protect and fulfil human rights and live free from discrimination	<ul style="list-style-type: none"> • North Ayrshire is a vibrant, welcoming and attractive environment

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Equality Mainstreaming Progress Report 2017 - 2018 and Equality Outcome Report
Purpose:	To advise on the Equality Mainstreaming Report and Equality Outcome Reports 2017 – 2018 as required by legislation under the Equality Act 2010.
Recommendation:	That the Audit and Scrutiny Committee scrutinises and notes the Equality Mainstreaming and Equality Outcome Reports.

1. Executive Summary

- 1.1 A full equality mainstreaming report is published every 2 years, along with a progress report on the Equality Outcomes adopted by the Council and its public sector partners. Reports are produced to evaluate progress and satisfy requirements to publish information in relation to equality and diversity issues under the Equalities Act 2010 and the Specific Duties (Scotland) Regulations 2012. The Equality Mainstreaming report is attached at [Appendix 1](#) and the Equality Outcomes report is attached at [Appendix 2](#). This report contains information on how we are mainstreaming the equality duty, equality outcomes, the assessment and review of policies.

2. Background

- 2.1 From April 2013, public sector organisations were required to publish equality information once every 2 years. The last main report was published in April 2017 (covering January 2015 to December 2016). These two new equality reports cover the period from January 2017 to December 2018 (the time lag in reporting is in relation to gathering employee information) and were published on the Council's website before the 30 April 2019 deadline.

2.2 Legal Requirements

The Equalities Act 2010 (The Act) sets out a general duty for every public authority, often referred to as the three needs, which requires organisations to –

- Eliminate unlawful discrimination, harassment and victimisation.
- Advance equality of opportunity between people who share a relevant protected characteristic and those who do not.
- Foster good relations between people who share protected characteristics and those who do not.

- 2.3 The public sector duty covers a number of 'characteristics' to which everyone has at least five, these are known as protected characteristics and are – Age; Sex; Gender Reassignment; Pregnancy and Maternity; Race; Religion or Belief; Sexual Orientation; Marriage and Civil Partnerships (although this last category only applies to eliminating discrimination).
- 2.4 Additional 'Specific Duties' were added in 2012 (in Scotland) to help authorities meet the three needs outlined in the general duty, some of which are -
- Report on mainstreaming equality duty
 - Publish equality outcomes and report progress
 - Assess and review policies and practices
 - Gather and use employee information
 - Publish gender pay gap information
 - Publish statements on equal pay
- 2.5 The report at Appendix 1 is the Equality Mainstreaming Progress Report for 2019. The report reflects the points contained in 2.4 above, which include –

Mainstreaming

- 2.5.1 Section 4 of the report highlights the importance of mainstreaming including the introduction of a Children's Rights section to the Equality Impact Assessment process and the Fairer Scotland Duty, which focuses on socio-economic inequality. The Equality and Children's Rights Impact Assessment process is a key tool for mainstreaming equalities within the Council.
- 2.5.2 E-learning modules on Deaf and Sight Loss Awareness were also added to the employee I-learn platform
- 2.5.3 Following a motion passed by Cabinet on 12 December 2017, Human Resources initiated a complete review of the Dignity and Respect at Work Policy and Procedure with the aim of introducing a zero tolerance policy towards any form of harassment.
- 2.5.4 To support the work of the Corporate Equality Group, three elected members, one from each of the main parties were nominated onto the group in 2018.

Employee Information

- 2.5.5 A summary is contained in section 6, with a full breakdown in Appendix 1 of the Mainstreaming Report. The employee information section provides an indication of the number of employees by protected characteristic, however within each category there is always a number of 'not disclosed' responses, for instance for disability monitoring 18% of staff fall into this category, meaning we do not know their disability status at time of joining the Council. Employee information is partly gathered through the 'My Job Scotland' portal, where the provision of this information is optional. The proportion of staff 'not disclosing' has fallen from 22% in 2016 to just under 19% in 2018, which indicates a higher number of staff who are comfortable in disclosing their disability status.

- 2.5.6 The number of staff indicating a disability increased from 2% in 2016 to 2.23% in 2018. This is in part in response to the skills for life programme, which focused on providing short-term employment experience for people with a disability and is a good example of focused approach targeting a specific group of people.
- 2.5.7 During 2017 employee statistics on Religion and Belief and Sexual Orientation were added to the report and will be monitored moving forward.

Pay Gap figures for Gender, Race and Disability

- 2.5.8 North Ayrshire has one of the lowest pay gap differences for gender across local authorities in Scotland, during 2018 this was 1.5%. Pay gap information for Disability and Race (other ethnicity) show positive trends of 3.81% and 7.96% respectively in favour of these protected characteristics.

Equality Outcomes

- 2.5.9 The report in Appendix 2 provides detailed information on the progress being made towards the shared equality outcomes and actions by the partners and also short summaries of other equality related work being carried out across the Council.

Along with other public sector partners across Ayrshire, the Council agreed to work towards 4 Shared Equality Outcomes. These are –

Outcome 1 – In Ayrshire, people experience safe and inclusive communities.

Outcome 2 – In Ayrshire, people have equal opportunity to access and shape our public services.

Outcome 3 – In Ayrshire, people have opportunities to fulfil their potential throughout life.

Outcome 4 – In Ayrshire, public bodies will be inclusive and diverse employers.

Equality Developments

- 2.5.10 During 2018 and 2019, a number of processes have been or are being introduced to support the continued mainstreaming of equality within the Council; these include the introduction of a new online Equality and Children's Rights Impact Assessment process; a review and refresh of the online equality awareness training programme and the introduction of an impact assessment module during 2019. There has been consultation on and adoption of a British Sign Language plan and nomination of Elected Members onto the Corporate Equality Group during 2018.

Summary of Key Highlights

2.6 Highlights from Equality Mainstreaming report (Appendix 1) and Equality Outcomes Report (Appendix 2)

- Introduction of e-learning courses on Deaf Awareness and Sight Loss Awareness
- An increase of 2% from 2016 to 2018 in the number of accessible properties (for people with a disability) that are classed as fully or reasonably compliant under British Standard 8300.
- Pay Gap 1.5% a slight increase from 2017, against the average for Scottish Councils of 3.9% (2017/18)
- The inclusion of employee employment statistics for Religion and Belief and Sexual Orientation for the first time.
- An increase in the number of Keepsafe sites across North Ayrshire from 1 in 2017 to 9 in 2018.
- Engagement with the British Sign Language (BSL) community in the development and implementation of the BSL plan
- A wide range of ongoing work to support the LGBT+ community
- Achievement of Level 2 of the Disability Confident Scheme

3. Proposals

- 3.1 It is proposed that the Audit and Scrutiny Committee scrutinise the reports attached at [Appendix 1](#) and [Appendix 2](#).

4. Implications

Financial:	None
Human Resources:	This report details employee information in relation to protected characteristics
Legal:	None, however failure of the Council to ensure it is implementing its duties under the Equality Act could lead to legal challenges
Equality: Children and Young People:	The effective reporting on and scrutiny of the issues within this report help the council to fulfil its equality duty under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.
Environmental & Sustainability:	None
Key Priorities:	Mainstreaming Equalities throughout Services will help to ensure the Council has robust policies, plans and procedures in place that support all the key priorities
Community Benefits:	None

5. Consultation

- 5.1 The Corporate Equality Group have been consulted on the reports attached at Appendix 1 and 2.

Craig Hatton
Chief Executive

For further information please contact **Andrew Hale** on **01294 324148**

Background Papers
N/A

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Annual Governance Statement 2018-19
Purpose:	To seek Committee approval of the Council's Annual Governance Statement for 2018-19 which will be included within the Annual Accounts.
Recommendation:	That the Committee approves the Annual Governance Statement which is attached at Appendix 1 to this report.

1. Executive Summary

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2018-19.
- 1.2 Approval of the Statement by the Audit and Scrutiny Committee will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

2. Background

- 2.1 North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to achieve Best Value.
- 2.2 The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.3 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'.
- 2.4 The Local Authority Accounts (Scotland) Regulations 2014 require that local authorities prepare an Annual Governance Statement, in accordance with proper practices in relation to internal control, and that this Statement should be approved by the Audit Committee or equivalent.

- 2.5 Following approval of the Annual Governance Statement by the Audit and Scrutiny Committee, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.6 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2018-19.
- 2.7 The Statement also identifies actions which the Council intends to implement during 2019-2020 to further strengthen the governance framework and concludes with an assurance statement by the Leader of the Council and the Chief Executive.

3. Proposals

- 3.1 It is proposed that the Committee approves the Annual Governance Statement for 2018-19 which is attached in full at Appendix 1 to this report.

4. Implications/Socio-economic Duty

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	Good governance arrangements help to underpin the delivery of the Council's key priorities.
Community Benefits:	None.

5. Consultation

- 5.1 Consultation has taken place with the Chief Executive during the preparation of the Annual Governance Statement.

Insert Director's name
Insert Director's title

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers

0

Annual Governance Statement

Scope of Responsibility

North Ayrshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively to achieve Best Value.

The Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunninghame House, Irvine KA12 8EE.

This statement explains how North Ayrshire Council complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the authority is directed and controlled. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services and the achievement of key outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.

The Governance Framework

The main features of the governance framework that was in place during 2018-19 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and also included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Leader of the Main Opposition, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies;
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in June 2018;
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The Council, together with NHS Ayrshire and Arran, established an integrated Health and Social Care Partnership (HSCP), which has been in place since April 2015. The HSCP has established a governance framework and an integrated senior management structure to support delivery of its key objectives. This was strengthened through the appointment of a Chief Finance and Transformation Officer during 2018-19.
- The Council's mission and vision are outlined in the Council Plan 2015-2020 which aligns with the vision of the North Ayrshire Community Planning Partnership and the Local Outcome Improvement Plan 2017-

2022 (LOIP) and is underpinned by a range of performance indicators. The Council Plan was reviewed during 2018-19 with a draft version being approved by Council in March 2019 for public consultation;

- A 'People Strategy' entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the Council. A Performance Management Forum (PMF) is in place to help embed a high-performance culture throughout the Council. Regular reporting to Elected Members takes place and a wide range of performance information is available on the 'North Ayrshire Performs' website;
- The Chief Executive chairs a series of six-monthly Performance Management Review meetings with each Directorate, designed to focus on improvement, reflection and learning.
- The Council has adopted a 'Code of Conduct' for all of its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place;
- The approach to risk management is set out in the Risk Management Strategy. The Council's strategic risk register is refreshed annually and for 2018-19 was approved by Cabinet in March 2018;
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for chief officers and senior managers across the Council. This was enhanced through a new programme known as 'Blue Wave of Change' which was introduced for senior leaders during 2018-19.
- A Performance and Personal Development (PPD) scheme and a range of training opportunities are provided for all employees, the aim of which is to focus employees on their performance and development that contributes towards achieving Service objectives;
- In order to ensure its asset management arrangements are robust, the Council has established the Corporate Asset Strategy. This is underpinned by 6 themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet. The Asset Strategy was refreshed during 2017-18 to reflect the new requirement to publish a Capital Investment Strategy and Technology and Digital Strategies are in place to support the ICT asset management plan and the transformation agenda;
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Executive Director (Finance and Corporate Support), is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which covers the period to 2027/28. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council;
- The Council delivered its Transformation 2 (T2) programme, which was signed off in February 2019. A new programme is being developed which will help develop a corporate and co-ordinated approach to transformational change across the organisation. This is overseen by a Transformation Think Tank, chaired by the Executive Director (Finance and Corporate Support), and governance arrangements are in place through the Chief Officer Leadership Team and reporting to Cabinet.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place, supported by a central team of staff within Finance and Corporate Support. The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Worker.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2019.

The System of Internal Financial Control

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by Chief Officers within the Council. In particular, the system includes:

- Financial regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines;
- Formal project management disciplines.

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2014)'.

With regard to the entities incorporated into the Group Accounts, the Council is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Statements of Internal Financial Control where appropriate.

Review of Effectiveness of the Governance Framework

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Internal Audit, Risk and Fraud) and reports from the Council's external auditors Deloitte LLP, Audit Scotland and other review agencies.

The Executive Director (Finance and Corporate Support) has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Internal Audit, Risk and Fraud) is responsible for the management of the section and reports directly to the Executive Director on all audit matters, with the right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its 5-year audit plan and complies with the Public Sector Internal Audit Standards (PSIAS) in carrying out its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2018-19.

As detailed in the 'Internal Audit Charter' that has been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. The Senior Manager (Internal Audit, Risk and Fraud) prepares an annual report to the Audit and Scrutiny Committee, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks.

Significant Governance Developments during 2018-19

Regular meetings are now in place with Services to develop workforce plans to analyse the current workforce and identify future requirements. Services have been provided with workforce profiles to support succession planning. To support service transformation, a 'Span of Control' methodology has also been introduced alongside a review of the pay and grading structure.

A 'Policy Advisory Panel' was established in September 2018 to assist in the preparation of policy proposals for consideration and approval by Cabinet. This meets once in each committee cycle.

The Council developed its approach to community consultation and engagement through the introduction of a 'Participatory Budgeting' approach in Streetscene – this saw extensive consultation with local residents on the identification of their priorities for the use of grounds maintenance budgets.

In view of the financial challenge faced by the Health and Social Care Partnership, and following significant overspending during 2016/17 and 2017/18, governance arrangements were strengthened through the appointment of a Chief Financial and Transformation Officer within the HSOP and the introduction of regular financial reporting to the Council's Audit and Scrutiny Committee.

An 'Ayrshire Growth Deal' was approved by the UK and Scottish Governments – this will see significant funding provided over the next 10 years to support the delivery of major infrastructure projects which will help grow the Ayrshire economy. The three Ayrshire Councils agreed to the establishment of an Ayrshire Regional Economic Joint Committee and a sub-committee, the Ayrshire Regional Economic Partnership, to support sound governance.

The Internal Audit Annual Report 2018-19, received by the Audit and Scrutiny Committee on 28th May 2019, highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Internal Audit, Risk and Fraud) that the Council's systems of internal control continue to provide reasonable assurance against loss.

Further Actions for 2019-2020

The Council has identified the following actions for 2019-2020 that will assist with the further strengthening of corporate governance arrangements:

- Consulting on and approving a new Council Plan which will outline our key priorities for the period 2019 to 2024.
- Introducing a new Council organisational structure, aligned to the Council Plan, which will help ensure we are well placed to deliver the best possible outcomes for our local communities.
- Developing a new Medium-Term Financial Planning Framework to support the pipeline of transformation projects.
- Supporting the Health and Social Care Partnership to develop a Medium-Term Financial Planning Framework to deliver services within the available financial resources.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2018-19 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Craig Hatton
Chief Executive
June 2019

Councillor Joe Cullinane
Leader of the Council
June 2019

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title: **Strategic Risk Register 2019/20**

Purpose: To inform the Committee of the Council's agreed Strategic Risk Register for 2019/2020.

Recommendation: That Committee notes the Strategic Risk Register.

1. Executive Summary

- 1.1 The Strategic Risk Register has been reviewed and updated for 2019/20.
- 1.2 Five existing risks remain on the Strategic Risk Register – Financial Environment, Inequalities, Financial Sustainability of the Health and Social Care Partnership, People and Transformation and Community Capacity Building.
- 1.3 The existing 'Information and Cyber Security' risk has been refocussed specifically around 'Cyber Security', a new risk has been added in relation to 'Brexit' and the existing 'Climate Change' risk has been removed from the register as additional control measures have reduced the potential impact.
- 1.4 The Strategic Risk Register was agreed by Cabinet on 12th March 2019.

2. Background

- 2.1 North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.
- 2.2 The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and Services are aware of these risks, risk management can contribute positively towards the organisation's decision making processes, making the Council more innovative and effective in its approach to service delivery.
- 2.3 The most significant risks are identified through the Council's Strategic Risk Register (SRR), recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks.

- 2.4 The Strategic Risk Register has been reviewed and updated for 2019/20 and is attached at Appendix 1 to this report. For each of the risks detailed within the register a number of components are identified:
- Outline of the risk to the Council;
 - The risk score;
 - Potential effect on the Council's priorities; and
 - Internal controls currently in place.
- 2.5 To assist in the assessment of each risk, the Council's agreed risk matrix was used to ensure consistency. This is used to assess the likelihood of occurrence (on a scale from 1 to 5) and the significance of the impact of the risk should it occur (on a scale from 1 to 5). The risk score is the product of likelihood multiplied by impact. Only those risks rated as high or very high (10 or above) will feature on the SRR to ensure a focus on managing the most significant risks.
- 2.6 The existing risk relating to 'Information and Cyber Security' has been refocussed around 'Cyber Security' and an additional risk has been added to the register in relation to 'Brexit'. The existing risk relating to 'Climate Change' has been removed as it is considered that controls being implemented in relation to flooding have reduced the potential impact.

Very High Risks

- **Financial Environment** - this risk reflects the ongoing financial challenge faced by the Council (risk score 20)
- **Inequalities** - this highlights the economic and health inequalities faced in North Ayrshire (risk score 20)
- **Health and Social Care Partnership** - this risk reflects the ongoing financial challenges faced by the Partnership (risk score 20)

High Risks

- **Cyber Security** – this reflects the increasing risk from external cyber-attack which is being faced by all organisations. The Scottish Government has put in place a cyber-resilience action plan which the Council is complying with (risk score 16)
 - **Brexit** – this risk reflects the uncertainty surrounding the United Kingdom's exit from the European Union, scheduled for 29th March, and the potential impact on local businesses and communities and the Council (risk score 16)
 - **People and Transformation** - this reflects the wider risks associated with delivering the Transformation programme as well as any potential impact on the workforce arising from the programme (risk score 12)
 - **Community Capacity Building and Empowerment** - this highlights the challenges associated with community empowerment (risk score 12)
- 2.7 Council Services will identify actions within their planning for 2019/20 to help the Council mitigate against its strategic risks. These actions will be linked to the strategic risks to assist with performance monitoring and reporting.

- 2.8 The Council's Internal Audit Plan 2019/20, which was approved by the Audit and Scrutiny Committee on 26th March, is risk-based and clear links are in place between the audit plan and the key risks the Council faces.

3. Proposals

- 3.1 Committee is requested to note the Strategic Risk Register for 2019/20.

4. Implications/

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	A successful risk management framework helps to underpin the delivery of the Council's strategic priorities in the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

- 5.1 The Strategic Risk Register was updated in consultation with the Executive Leadership Team and the Corporate Risk Management Group and approved by Cabinet.

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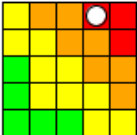
Laura Friel
Executive Director (Finance & Corporate Support)

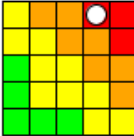
For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers

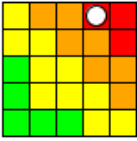
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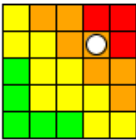
Strategic Risk Report 2019/20

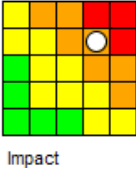
Risk Code & Title	2019/20 SRR01 Financial Environment	Current Risk Matrix
Risk	<p>The risk is that the level of funding for local government will require the Council to take increasingly difficult and challenging decisions, potentially operating with increased levels of risk to ensure service delivery and investment in assets align with available resources.</p> <p>Government funding has been reducing since 2010/11. This, together with the demographic pressures, in particular an ageing population and increasing numbers of vulnerable children, and cost pressures including pay and pensions impacts on the ability of the Council to deliver current services within future anticipated resources.</p> <p>The 2019/20 local government settlement represents a further reduction in core grant funding of 1.4%. Planning for future years reflects further anticipated reductions in funding in 2020/21 and 2021/22. The single year settlement and publication and approval dates of the Scottish Budget makes effective short and medium term financial planning challenging.</p> <p>Further pressures on budgets stem from spending commitments at a national and local level at a time of reducing resources. A major external influence is the UK's progress in negotiating exit from the European Union. Uncertainty remains over future economic prospects. Given the scale of this risk, a specific strategic risk profile has been developed.</p>	 <p>Likelihood</p> <p>Impact</p>
Consequence	<p>Funding not keeping pace with demand and cost means that there will be a reduction in some service areas potentially resulting in higher risks for service users.</p>	Current Risk Score
Current Controls	<p>The Council continues to be proactive in responding to the financial challenge and seeks to ensure that budget decisions are taken in line with key priorities.</p> <p>Robust monitoring of the Council's revenue and capital budgets is in place as well as regular reporting of financial performance within the HSCP to Cabinet and Audit and Scrutiny.</p> <p>The Council has a long-term capital investment programme to 2027/28. The Long Term Financial Outlook to 2026/27 was approved at Council on 4 October 2017 - this is the cornerstone of the Council's financial planning.</p> <p>The Council is currently preparing to deliver a balanced budget for 2019/20 with work underway to identify the remaining savings for 2020/21 and 2021/22. Opportunities for future savings will continue to be explored through the recently established Transformation Think Tank. A zero based approach to budget setting will be undertaken for 2020/21.</p>	<p>20</p>
Linked Actions		
Linked Actions Code & Title		

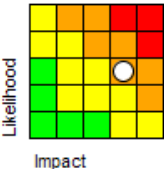
Risk Code & Title	2019/20 SRR02 Inequalities	Current Risk Matrix
Risk	<p>The risk to the Council is that North Ayrshire residents, especially children, single parents, people with disabilities and people from ethnic minority backgrounds (groups identified in the inclusive growth diagnostic) will experience increasing levels of poverty and its effects. Inequality in the local area may continue to increase unless the Council takes action, however this must be managed effectively due to the increase in demand for Council Services which may occur.</p> <p>Levels of child poverty are now the second highest in Scotland. In 2016 the Child Poverty Action Group (CPAG) reported that 7,051 (30.4%) children in North Ayrshire live in poverty.</p> <p>The key driver of poverty and inequality is income, whether from unemployment or benefits. North Ayrshire has one job for every two people who are seeking work.</p> <p>The population of North Ayrshire is expected to fall over the next 10 years but there will also be a larger proportion of the population considered dependent (not economically active) compared to a shrinking working population (those who are economically active).</p> <p>Ongoing welfare reforms will exacerbate local needs placing greater demands upon Council Services at a time when budgets are under significant pressure.</p> <p>North Ayrshire residents have persistently poorer health compared to Scotland as a whole and the gap is increasing. Health inequality is closely linked to poverty, employment and people's earliest experiences as children. Drug and alcohol misuse is also a major factor.</p> <p>Children and young people may be excluded from a nurturing and positive early years and school experience as a result of their life circumstances and / or their additional support needs. They may be unsupported to access appropriate educational provision.</p>	 <p>Likelihood</p> <p>Impact</p>
Consequence	<p>Failure to address the current challenges will result in increased levels of deprivation, reduced health and wellbeing of our communities and higher demand for Council Services. As reductions in resources increase, early intervention and prevention activities are at risk, thus increasing the potential for an increase in costly crisis interventions.</p>	Current Risk Score
Current Controls	<p>Tackling inequalities is a strategic priority of the Community Planning Partnership (CPP) and the Council. A new Fair For All strategy is in place and this will inform the work of the partners to reduce inequality.</p> <p>The Council launched a new Economic Strategy in April 2017 and this includes a focus on inclusive growth. The Council will lead partners in building community resilience, providing support to remove barriers to opportunity for unemployed people (e.g. childcare, transport and health), upskilling of people in disadvantaged communities including providing MA opportunities within the Council and providing employability services through our network of hubs. The Council is also part of a national inclusive growth pilot and has developed a strategy to enhance the employment of people with disabilities through its inclusive employment approach.</p> <p>The announcement of more than £200m of funding within the Ayrshire Growth Deal will create local employment and increase prosperity.</p> <p>The Better Off North Ayrshire European funded programme has now returned more than £1m to people in North Ayrshire as part of their work.</p> <p>Community wealth building approaches are being developed to focus and enhance spend in the local areas, maximising the Council's role as the biggest employer in the area and its spend through procurement.</p> <p>North Ayrshire Council is now a Child Centred Council with a focus on reducing inequalities for children and young people.</p> <p>The focus on reducing inequalities is enhanced by the ongoing "Challenge Poverty" approach within the Council and with partners, identifying Council and Locality options for addressing the causes and symptoms of poverty.</p>	20

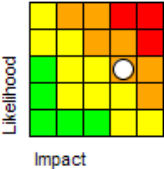
	<p>The Council and its partners have developed a food strategy, which includes addressing household food insecurity and the actions within the strategy are supporting local people to create local solutions.</p> <p>North Ayrshire Council is now preparing a Child Poverty Action Plan and report as part of its statutory responsibility to Scottish Government, although the key cause of poverty (income) is largely outwith the control of the Council making it difficult to significantly change the overall trends.</p> <p>The HSCP continues to deliver activity to tackle inequalities in areas of economy, health and community. Through delivery of the HSCP strategic plan, the Partnership sets out actions to tackle inequality through its Partnership Pledge and across all five of its strategic priorities.</p> <p>The Money Matters service continues to provide much need welfare and money advice to individuals and families in, and at risk of, poverty. While Money Matters predominately supports local people known to the HSCP, referral pathways have been developed with Better off North Ayrshire (BONA) to ensure all people in North Ayrshire are able to access the right level of advice and support.</p> <p>The HSCP's Community Link workers are now operating from all general practices in North Ayrshire, providing local people advice and guidance. Conditions that people present at GP practices are often symptomatic of wider issues.</p> <p>The HSCP continues to support vulnerable young people and young carers access a range of opportunities to enhance their skills and experience.</p> <p>The Council's Attainment Challenge sets out to reduce the impact of deprivation on the educational outcomes of our children and young people. A multifaceted approach has been developed to address inequality in terms of health and well-being and progress in learning.</p>	
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2019/20 SRR03 Financial Sustainability of the Health and Social Care Partnership	Current Risk Matrix
Risk	<p>Increased financial risk to the Council as a result of the delegation of resources and the responsibility for planning the delivery of social care services to the Integration Joint Board at a time of reducing resources and growing demand.</p> <p>The Integration Joint Board has the responsibility for the distribution of resources to partner bodies to deliver its strategic plan. The historic position has been that resources for social care services have not been sufficient to meet the levels of demand and therefore the partnership has overspent. There is a debt held on the Council's balance sheet to be repaid by the partnership, there is a risk that not only the partnership continue to overspend but also that the debt is not recovered.</p> <p>The current financial position of Ayrshire and Arran Health Board, with significant overspends over the last few years, could have a considerable impact on the funding passed to the Integration Joint Board.</p>	 <p>Likelihood</p> <p>Impact</p>
Consequence	<p>To address increasing demands for Health and Social Care services, the Partnership needs to transform services at scale and pace to deliver services in a more sustainable way and secure a shift in the balance of care from institutional to community based services.</p> <p>There is a risk that if the Partnership overspends that the Council may be required to provide additional funding support which could significantly impact on other services provided by the Council.</p>	Current Risk Score
Current Controls	<p>The IJB actively monitors progress against the Strategic Plan and the Partnership financial position. Finance reports include projected outturns and are reviewed by Partnership Management Team and the IJB. These monitoring reports are also shared with the Directors of Finance of the Council and Health Board to ensure partners are aware of the financial position and any risks. Regular updates are also provided to the Council's Cabinet and Audit and Scrutiny Committee. The partnership require to implement a Financial Recovery Plan where there is a projected overspend, a plan has been implemented in the current financial year and has resulted in a demonstrable improvement to the position.</p> <p>A Chief Finance and Transformation Officer is now in place within the HSCP to support delivery of transformation at scale and pace and develop a financial framework to ensure service delivery within available resources. In addition the social care finance team has been transferred to the partnership to support this work.</p> <p>A Medium Term Financial Plan has been developed and is being refreshed. This plan outlines pressures for services linked to demographic and cost increases, assumptions about future funding and the transformation programme in place to assist with service redesign. The partnership has established a Transformation Board to oversee the programme of service re-design, this additional governance control has enabled greater control of the position and a focus on the key areas of service change with the greatest impact on the financial position.</p> <p>The partnership has identified resource available from 2018-19 onwards to enable the repayment of the historic debt to the Council, the current plan would result in the debt being repaid within four years.</p> <p>Challenge Fund resources are available to the Partnership to support its transformation journey and the HSCP have aligned these resources to support the shift in the balance of care and to mitigate demand.</p>	20
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2019/20 SRR04 Cyber Security	Current Risk Matrix
Risk	<p>Cyber-security risk is the potential compromise of business operations or a data breach orchestrated via either digital channels or the IT infrastructure. This can include targeting of the user base. Risk derives from both Council operations and those of its supply chain.</p> <p>The Council recognises the increasing importance of delivering services through digital channels and maximising efficiency through effective and secure use of technology. This includes a growing adoption of cloud-based computing resources which extend processing capabilities, and associated risks, beyond the Council's network.</p>	 <p>Likelihood</p> <p>Impact</p>
Consequence	<p>Failure by Services to adopt and comply with strategies, policies and procedures may result in a failure to adequately ensure the desired levels of cyber-security required to maintain and protect council systems and data.</p> <p>There may be a significant impact on the authority through the release of personal and/or sensitive information resulting in a loss of public confidence and significant financial loss incurred through fines and service disruption.</p> <p>A successful cyber-attack (virus, penetration or malicious external or internal action) on the Council's IT environments could also result in significant service disruption, loss of income streams and possible data loss. Impacts of a cyber-attack could include economic (i.e. inability to collect online payments), societal disruption (i.e. loss of diaries and client appointments), and reputational damage (i.e. loss of public confidence in digital services). Such attacks could be directed at the Council or elements of its supply chain.</p>	Current Risk Score
Current Controls	<p>It is recognised that it is not possible for any organisation to expect to be completely protected against what are agile and continually evolving cyber threats. A threat actor with enough time, motivation, resource and capability will be able to compromise the most secure system.</p> <p>In response, the Council takes a sociotechnical approach to reducing risk by continually developing protective measures through technical, organisational and people-focused controls.</p> <p>IT Services continue to review the Council's protection strategy and technology in line with industry, academic, and UK and Scottish Government recommendations, including the obligation to meet the key actions and timescales defined in the Cyber Resilience Public Sector Action Plan. Technical controls are implemented across domains such as network defences, secure configuration of systems, user authentication, malware protection, and vulnerability management. The controls are independently tested on an annual basis to confirm their effectiveness in accordance with the Council's obligations to mandated compliance schemes.</p> <p>The Council maintains a comprehensive set of policies, standards, guidelines, metrics and reporting mechanisms as part of its information security governance structure. These provide the foundation to ensuring the importance and value of good cyber and information security standards are understood and implemented at an organisational level.</p> <p>The importance of a cyber-aware workforce and culture is reflected in the comprehensive training and awareness programme that is operated by the Council. Every member of staff is required to complete a classroom-based, full day training course in cyber and information security best practice. They also undertake mandatory annual e-learning training in data protection, cyber security and other relevant topics. While additional methods are used to ensure awareness information of emerging threats or best practice advice is delivered to staff in a timely manner.</p>	16
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2019/20 SRR05 Brexit	Current Risk Matrix
Risk	<p>The risk associated with Brexit (the United Kingdom's exit from the European Union) presents a complex series of challenges for the Council. How these crystallise is dependent on what form the exit takes.</p> <p>In broad terms there are two scenarios:</p> <ul style="list-style-type: none"> - A deal which retains free trade between the UK and the EU. As free trade is based on principles which involve open procurement, free movement of labour etc. many existing EU rules, such as those on procurement, state aid, employment protection and data protection will continue to apply. - A 'no deal' whereby the UK would move to World Trade Organisation (WTO) rules and try to negotiate bespoke trading deals with other countries such as the United States. 	
Consequence	<p>The most serious risks are associated with a 'no deal' and include:-</p> <ul style="list-style-type: none"> - Economic impact and lack of investment which results in increased demand for local authority services and increased costs. In particular there is likely to be an impact on North Ayrshire businesses which will require more business support. - Price increases and reduced economic growth will result in higher costs and reducing Government grant, as well as greater deprivation and further demand for services. - Requirement for Environmental Health to certify exports. - Ports estimated to operate at 15% capacity which will lead to delays in obtaining certain goods, including food and HGV spares. The complexity of supply chains is a concern. - Waste exported to EU for recycling may be impacted. - EU workers go back to EU, leading to labour shortages in certain areas, and in the long term, reducing Scottish population- while there are 38 Council workers from the EU, there are greater numbers in the NHS, and NHS issues may impact on HSCP. - Lack of clarity around the UK Prosperity Fund which is intended to replace European grants. - Elections or referenda. 	Current Risk Score
Current Controls	<p>A Brexit working group lead by the Head of Democratic Services is engaging with Services as appropriate.</p> <p>At a regional and national resilience planning level, advisory groups that include representatives from Police, Fire, NHS and Councils have been actively considering this issue. At a local level, the Council and its partners have a range of well-developed and regularly tested contingency plans for incidents that address the 'consequences not causes' of disruptive events.</p> <p>Given the uncertain nature of the arrangements, the UK Government has published a range of contingency planning advice notes. The technical notes published are intended to support businesses and organisations to prepare for the potential outcome of a "no deal" Brexit, whereby a withdrawal agreement is not reached prior to the UK leaving the EU.</p> <p>A full assessment of impacts on Non UK EU workforce has been undertaken.</p> <p>The Council continues to be involved in planning for Brexit through joint working with the Scottish Government, COSLA, and the West of Scotland Regional Resilience Partnership.</p> <p>Detailed risk reports via Audit and Scrutiny Committee. ELT receiving updates on an ongoing basis. This includes a cross Service risk and action log with assigned action owners.</p>	16
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2019/20 SRR06 People and Transformation	Current Risk Matrix
Risk	<p>There is an overarching corporate risk that transformation and change management activities which are core to the future delivery models and long-term financial sustainability of both the Council and Health and Social Care Partnership, fail to deliver and potentially disengage employees.</p> <p>The workforce context of significant organisational change and budget efficiencies may impact on employee engagement and the stability of employee relations which further impacts on the Council's capacity to meet service requirements and deliver key objectives.</p>	
Consequence	<p>Any gaps in workforce planning and failure to embed cultural transformation activities may lead to difficulties in building future workforce capacity and in ensuring we have an engaged, skilled and knowledgeable workforce to meet service demand.</p> <p>Failure to deliver transformational change will impact on the Council's financial sustainability and its effectiveness of service delivery.</p> <p>Failure to deliver the HSCP Transformation programmes across the Partnership, involving North Ayrshire Council (NAC) and NHS Ayrshire & Arran (NHSAA) services may lead to the identified outcomes not being delivered; resulting in financial instability, reduced performance, deteriorating patient outcomes, and reputational damage within North Ayrshire Health and Social Care Partnership (NAHSCP).</p>	Current Risk Score
Current Controls	<p>The Transformation Think Tank has been set up to encourage cross Service collaboration and to ensure shared and joint responsibility for development and delivery of the Council's transformation programme. The Think Tank will report to the Chief Officer Leadership Team (COLT) on a regular basis.</p> <p>A transformation programme has been established to align with the new Council Plan. The aim of the review will be to focus resources on a smaller number of key transformational initiatives which will deliver the biggest impact.</p> <p>Cultural transformation activities continue to be evolved and embedded to support the Council's transformation, improve effectiveness and capability as well as develop an organisational culture which fosters involvement, engagement and high performance.</p> <p>Employee Engagement Surveys monitor employee engagement levels and identify any areas for improvement. Surveys are conducted every two years, with the 2017 survey results currently being analysed. This and future surveys will continue to monitor engagement levels and areas for improvement. Straw polls have been introduced to measure the impact of improvement activities arising from the 2017 survey.</p> <p>LiveWell, and the four themes within this – Be Well, Play Well, Eat Well and Work Well – continue to be promoted and a range of programmes, events and activities are available for all staff. Participation in wellbeing activities can have positive impacts on personal resilience, stress reduction and absenteeism.</p> <p>Mechanisms for consultation and engagement with Trades Unions enable open dialogue with unions and Elected Members on key strategic workforce issues.</p> <p>Our Workforce Planning approach provides a toolkit of interventions such as span of control, which includes career development and succession planning, vacancy management, redeployment and early release schemes, all of which support the re-shaping of our workforce for the future.</p> <p>NAHSCP Transformation Board reports to the NAHSCP Integration Joint Board, NHSAA Performance Governance Committee which has oversight on behalf of the NHS Board and NAC Executive Leadership Team. The Transformation board track performance, manage risk, aligns resource and puts in place mitigation responses as required to ensure progress is delivered.</p>	12
Linked Actions		
Linked Actions Code & Title		

Risk Code & Title	2019/20 SRR07 Community Capacity Building and Empowerment	Current Risk Matrix
Risk	<p>The risk facing the authority is that community capacity and community resilience in North Ayrshire will not develop sufficiently quickly to meet the economic and social challenges which are emerging in the current economic climate.</p> <p>The additional demands placed on the public sector by the Community Empowerment Act (Scotland) 2015 is an emerging risk, with timescales for implementation of and reaction to certain strands of legislation, e.g. community asset transfer and participation requests, now being set by the Scottish Government.</p> <p>The development of community capacity and appropriate support mechanisms to allow local communities to determine their own objectives and have their voices heard in the planning and delivery of services is a key priority of North Ayrshire Council. The ability of communities and organisations to do this varies and the Council is committed to providing the appropriate support, according to local need, to ensure that communities are able to achieve their potential in this challenging economic climate. Involvement in this ranges from volunteering in local and civic events through to delivering services for communities.</p> <p>The HSCP also requires to deliver both community participation and engagement and Locality Planning arrangements within a clear set of national guidance.</p> <p>Recent further reductions in staff supporting community activity further heightens the risk attached to this issue.</p>	
Consequence	<p>Where the risk is not managed effectively the potential benefits of community capacity building and empowerment may be lost.</p> <p>There remains a potential disconnect between those communities where levels of capacity and engagement with the empowerment agenda are high and those with less social capital where interest remains low. This widens the inequality gap between communities with the ability to influence the planning and delivery of more responsive services and those communities who do not.</p> <p>A disconnect also exists between what the Council wishes to see in terms of communities embracing the opportunities for increasing ownership of assets and what communities themselves feel able and prepared to commit to. In terms of the asset transfer agenda the potential remains for community assets to revert back to Council ownership due to ineffective community engagement/participation and a lack of effective business planning for sustainable use of community assets.</p> <p>The speeding up of this approach has been caused by the increasing savings required from the Council. The likelihood is that services and facilities will be lost for good as communities fail to keep up with the speed of change.</p> <p>There is a risk of duplication and engagement fatigue as the HSCP is required to deliver both community participation and engagement and Locality Planning arrangements within a different set of national guidance. The HSCP Locality arrangements are coterminous with the Community Planning Partner and council arrangements.</p>	Current Risk Score
Current Controls	<p>North Ayrshire Council is making increasingly public commitments to relationships with communities and to its community capacity building and empowerment, across the Council. North Ayrshire Council has also identified that the value of continuing to support the community and voluntary sector to develop capacity is central to the well-being of the community and wishes to continue to contribute to this.</p> <p>A strategic corporate Community Empowerment Action Plan has been developed within the Council and with all CPP partners, to identify how the Council can shift from delivery to enabling mode with many of our community partners to build their capacity and identify opportunities for growth and sustainability.</p> <p>The introduction of Locality Planning is enhancing local resilience and place-making initiatives to strengthen how communities work together to lessen the impact of external changes. Six locality partnerships have now been established to ensure the involvement</p>	12

	<p>of the community in local decision making and to monitor the support we are providing to communities.</p> <p>The Council has refined and enhanced its asset transfer, allotment and Community Council guidance and support, and in addition, the Council has also introduced support for individuals and communities in relation to developing excellence in arts and culture and sports, and has reviewed the way in which it awards Community Development Grants to ensure that capacity building is a central feature of support to communities and voluntary organisations. Groups are also supported to make a greater number of successful funding bids to external bodies. Additional resources will be available through ongoing projects with Creative Scotland and Sport Scotland with good practice being shared and promoted. The Community Development Fund is underpinning the ability of community organisations to undertake sustainable projects.</p> <p>The Council and its partners have held a number of participatory budgeting events, which allow local people to have a say on how small amounts of Council money are spent in their localities.</p> <p>The Council is also committed to mainstreaming participatory approaches within its services and to date Streetscene, Youth Services and Libraries have allocated substantial proportions of their resources in this way.</p>	
Linked Actions		
Linked Actions Code & Title		

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Accounting Policies 2018/19
Purpose:	To seek the Audit and Scrutiny Committee's approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2019.
Recommendation:	That the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1.

1. Executive Summary

- 1.1 The annual accounts for the 2018/19 financial year summarise the Council transactions during the year and its position at the year end of 31 March 2019. Under the local Authority Accounts (Scotland) Regulations 2014, the Council is required to prepare an annual Statement of Accounts and Section 12 of the Local Government in Scotland Act 2003 requires that these accounts are prepared in accordance with the proper accounting practices.
- 1.2 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"), supported by International Financial Reporting Standards (IFRS). These are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council.
- 1.3 The accounting policies to be adopted by North Ayrshire Council are reviewed on an annual basis in line with the CIPFA Code and submitted to the Audit and Scrutiny Committee for review in advance of the financial statements being prepared.
- 1.4 Following changes in the Code of Practice on Local Authority Accounting a number of changes have been made to the accounting requirements in relation to Financial Assets. The definition of Financial Assets has been broadened and the basis on which credit losses or impairment costs are calculated has been changed. Any resultant costs will be charged to the Comprehensive Income and Expenditure Statement (CIES), although these are not anticipated to be material.

2. Background

- 2.1 Accounting policies are defined in paragraph 3.3.2.1 of the Code as *'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'*.
- 2.2 Councils are required to select accounting policies and apply changes to accounting policies in accordance with International Accounting Standard 8 - Accounting Policies.
- 2.3 The Council is required to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. The accounting policies adopted should be reviewed regularly to ensure that they remain appropriate and consider the required treatment of any new policies relevant to the Council's particular circumstances. Sufficient information should be disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.
- 2.4 The draft accounting policies proposed for adoption are detailed in Appendix 2.
- 2.5 Appendix 1 highlights the most significant change to the Accounting Policies for 2018/19. These relate to the classification and measurement of financial assets, as detailed in Note I - Financial Instruments, further supported by clarification of the Council's existing policies on its interests in companies and other entities at Note M and the techniques used to determine Fair Value at Note W.
- 2.6 Under the previous Accounting Policies, the financial assets of the Council were identified as loans and receivables, such as loans to other bodies, which were measured at amortised cost. This meant that the amount presented on the Balance Sheet represented the outstanding principal, plus any accrued interest, and the interest charged for the year was credited to the CIES. Impairments were only recognised where a past event resulted in a likelihood that some of the payments due under the contract would not be made.
- 2.7 Following the adoption of IFRS9 – Financial Instruments, the requirements of the Code have been updated. IFRS9 has been designed to give greater transparency of gains and losses arising from the Council's Financial Assets. The definition of Financial Assets now includes cash and deposits, loans, debtors and any equity holdings. These assets must now be classified and measured reflecting the characteristics of their anticipated cashflows.
- 2.8 Assets can be held to collect the contractual cash flows, such as bank interest; for trading purposes, such as shares and other investments; or any other assets held, such as equity in community enterprises. It has been confirmed that all of the Council's financial assets are held to collect contractual cash flows and they have been classified as Financial Assets Measured at Amortised Cost. This is consistent with the current treatment of the Financial Assets of the Council.

- 2.9 The most significant change relates to the calculation of impairment losses which must now be based on an Expected Credit Risk Model. This calculates impairments based on lifetime credit risks and the potential for debtors to default on their repayments, rather than on actual past events. All financial assets will now be recognised at Fair Value in the annual accounts by including the impact of these impairments. Any differences to current values will be charged to the CIES. These costs will be quantified as part of the preparation of the annual accounts and included in the final outturn report for the year. They are not anticipated to be material.
- 2.10 In support of the definitions introduced by IFRS9, additional accounting policies have been detailed at Note M – Interest in Companies and Other Entities, which confirms that treatment of the Council's interest in group entities remains unchanged, and Note W - Fair Value Measurement, which details the existing policies on the measurement of Fair Value and extends them to include financial instruments, where appropriate.
- 2.11 In addition, there have been a number of minor adjustments to the text of the existing policies to ensure that they are fully aligned to the requirements of the Code.

3. Proposals

- 3.1 That the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1.

4. Implications/Socio-economic Duty

Financial:	The adoption of the policies in relation to financial instruments may result in additional costs for the impairment of financial assets. These costs will be quantified and reported as part of the final outturn report for the year.
Human Resources:	None
Legal:	The Local Government (Scotland) Act 2003 requires accounts to be prepared in accordance with proper practices
Equality/Socio-economic Duty:	None
Children and Young People:	None
Environmental & Sustainability:	None
Key Priorities:	The annual accounts support the delivery of outcomes outlined in the Council Plan.
Community Benefits:	None

5. Consultation

5.1 No consultation was required in the preparation of this report.

LAURA FRIEL
Executive Director (Finance and Corporate Support)

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

None

Significant Changes to Accounting Policies 2018-19

Original

I Financial assets

The financial assets of the Council are entirely comprised of loans and receivables i.e. assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, initially measured at fair value, then at amortised cost. For most of the Council lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Revised

I Financial Instruments

Financial Assets

Financial assets are classified and measured based on the reasons, or business model, for holding the financial assets and the characteristics of the anticipated cash flows. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold assets to collect contractual cash flows and our financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured at fair value and then carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a loan to a charitable body at less than market rates (soft loan). When a soft loan is made, a loss is recorded in the CIES (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. The value of the interest foregone is then added back to the amortised cost of the loan on the Balance Sheet and credited to the Financing and Investment Income and Expenditure line in the CIES on an annual basis until the loan is repaid.

Any gains or losses which arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model.

Impairment losses are calculated to reflect the expectation that the future cash flows may not take place because the borrower may default on their obligations. Credit risk plays a crucial part in assessing the potential losses. Where risk has increased significantly since an asset was recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

For any identified impairment losses, a charge is made to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit and Loss

Financial Assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services as they emerge.

Fair value measurements of the financial assets are based on the following techniques:

- instrument with quoted market process – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

Any gains and losses which arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council does not currently have any Financial Assets measured at Fair value through Profit and Loss.

Additional

M Interest in Companies and Other Entities

The Council has interests in companies and other entities which have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's single entity accounts, these interests are recorded as financial assets at cost, less any provision for losses.

W Fair Value Measurement

The Council values some of its non-financial assets, such as Surplus Assets and Investment Properties (Common Good Funds only), and some of its financial instruments at Fair Value. Fair Value is the price that would be received either on the sale of an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset; or
- in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the Fair Value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the Fair Value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which Fair Value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Accounting Policies 2018-19

General Principles

The Accounts summarise the Council's transactions for the 2018-19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

The accounting convention adopted in the financial statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

A Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services of the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Suppliers' invoices paid in the two weeks following the year-end have been included together with specific accruals in respect of further material items provided the goods and services were received prior to 31 March.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. The de minimis level for recognition of such transactions has been agreed at £5,000, therefore all known transactions of £5,000 or above have been included.
- Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

B Allocation of Central Support Costs and Recharges to Capital

A proportion of net central support services is allocated to services outwith the general fund. The balance of the net central support services is reported on the basis of how the services are structured and how the Council operates, monitors and manages financial performance.

C Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is due to end on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

D Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

E Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. When a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior years are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

F Charges to Revenue for Non-Current Assets

Services are charged with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairments losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances. This is known as the Loans Fund principal repayments. Depreciation, revaluation and impairment losses and amortisation are replaced by Loans Fund principal repayments in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

G Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, wages, overtime and paid annual leave for current employees and are recognised as an expense in the year in which employees render service to the Council. All salaries and wages earned up to 31 March are included in the financial statements irrespective of when the payment was made. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the benefits will be taken. Such accruals are required, under statute, to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant services line in the CIES at the point when the offer of termination can no longer be withdrawn by the Council. Where termination benefits include the enhancement of pensions, the General Fund balance is charged with the amount payable by the Council to the pension fund or pensioner in the year.

Post-Employment Benefits

The Council participates in two separate pension schemes:

- The Scottish Teachers' Pension Scheme administered by the Scottish Government
- The Local Government (Scotland) Pension Scheme administered by the Strathclyde Pension Fund.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned while employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme. No liability for future payments of benefits is recognised in the Balance Sheet and the Education and Youth Employment services line in the CIES is charged with the employer's contributions payable to the Teachers' Pension Scheme in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is accounted for as a defined benefits scheme.

The liabilities of Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the 'projected credit unit method', i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate as advised by the actuaries, Hymans Robertson.

The assets of Strathclyde Pension Fund attributable to North Ayrshire Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

The change in the net pension liability is analysed into the following components:

Service Costs:

- current service cost – the increase in liabilities as a result of service earned by employees this year. This is allocated in the CIES to the services for which the employees worked.
- past service cost (including curtailments) – the increase in liabilities as a result changes to the scheme, including amendments or curtailments, where the changes impact on the service earned by employees in previous years. These costs are charged to the Surplus or Deficit on the Provision of Services in the CIES.
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the CIES, calculated by applying the discount rate used to measurement the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.

Remeasurements:

- return on plan assets – excludes amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement or pension enhancement termination benefits and replace them with charges for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards to retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

H Events After the Reporting Period

These are events, both favourable and unfavourable, that occur between the end of the reporting period (31 March) and the date when the financial statements are authorised for issue.

The Statement of Accounts are adjusted to reflect events where they provide evidence of conditions that existed at the end of the reporting period.

Where events indicate conditions, which arose after the reporting period, would have had a material effect, the Statement of Accounts are not adjusted but a disclosure is made in the notes of the nature of the event and the estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

I Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes party to the contractual provisions of a financial liability. Liabilities are initially measured at fair value and then carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the CIES in the year of repayment of the original debt in accordance with accounting regulations.

Where premiums and discounts have been charged to the CIES, regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified and measured based on the reasons, or business model, for holding the financial assets and the characteristics of the anticipated cash flows. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold assets to collect contractual cash flows and our financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured at fair value and then carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a loan to a charitable body at less than market rates (soft loan). When a soft loan is made, a loss is recorded in the CIES (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. The value of the interest foregone is then added back to the amortised cost of the loan on the Balance Sheet and credited to the Financing and Investment Income and Expenditure line in the CIES on an annual basis until the loan is repaid.

Any gains or losses which arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model.

Impairment losses are calculated to reflect the expectation that the future cash flows may not take place because the borrower may default on their obligations. Credit risk plays a crucial part in assessing the potential losses. Where risk has increased significantly since an asset was recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

For any identified impairment losses, a charge is made to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit and Loss

Financial Assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services as they emerge.

Fair value measurements of the financial assets are based on the following techniques:

- instrument with quoted market process – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

Any gains and losses which arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council does not currently have any Financial Assets measured at Fair value through Profit and Loss.

J Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants) or Taxation and Non-Specific Grant Income (for non-ring-fenced revenue grants and all capital grants).

Capital grants are then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account.

Capital grants which are used and amounts previously posted to the Capital Grants Unapplied Account which have now been applied, are transferred to the Capital Adjustment Account.

K Heritage Assets

A heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council holds heritage assets consisting of civic regalia and silverware, historical artefacts, fine art and public artworks. The assets are held at valuation and no depreciation is charged on the assets. Expenditure to maintain the assets is written off to the Comprehensive Income and Expenditure Statement (CIES) in the year of expenditure. Donated heritage assets are reflected in the balance sheet at valuation with a gain equivalent to the value of the asset reported in the CIES in the year of donation.

Measurement

The Council's heritage assets are recognised on the Balance Sheet at values determined by specialist external valuers and by experienced officers within the Connected Communities service. Valuations have been largely undertaken on an insurance basis at retail level. Only items deemed to have a value of £10,000 and above have been disclosed in the Balance Sheet.

Disclosure

Not all of the Council's identified heritage assets will be disclosed in the Balance Sheet. It is not deemed practicable to obtain external valuations for all items defined as heritage assets. These include: Museum and Gallery items with a value of less than £10,000; Castles; Monuments and War Memorials.

L Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. loan licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (generally between 1 and 6 years) to the relevant service line(s) in the CIES.

M Interest in Companies and Other Entities

The Council has interests in companies and other entities which have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's single entity accounts, these interests are recorded as financial assets at cost, less any provision for losses.

N Inventories

Inventories include consumable stock and work-in-progress and are recognised in the Balance Sheet at the lower of cost and net realisable value. The valuation of work-in-progress has been made at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

O Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but reviewed annually and revalued regularly to ensure their carrying value reflects market conditions at the year-end.

P Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Council as Lessee

North Ayrshire Council currently has no finance leases where the Council is the lessee.

Rentals paid under operating leases, for vehicles and plant, are charged to the appropriate service account in the CIES as an expense of the services benefiting for use of the leased equipment.

The Council as Lessor

North Ayrshire Council has no finance leases where the Council is the lessor.

The Council rents out property on cancellable operating leases only. Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

Q Property, Plant and Equipment

Assets that have physical substance and are held for use in the supply of services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

All valuations of land and buildings are carried out by RICS qualified valuers, with the exception of valuations of council dwellings which are based on beacon values calculated by the District Valuer. Both valuations are in accordance with the methodologies and bases of estimation as set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of an asset (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de minimis level of £10,000 for expenditure to be classed as capital. Land and Buildings with a valuation below £10,000 are not recognised on the Council Balance Sheet.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price; and
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value.

Assets are carried on the Balance Sheet using the following measurement bases:

- Council Dwellings - Fair value, determined using the basis of existing use value for social housing (EUV-SH);
- Other Land and Buildings - Fair value, determined by the amount that would be paid for the asset in its existing use (existing use value - EUV).
- Vehicles, Plant and Equipment - depreciated historical cost
- Infrastructure Assets - depreciated historical cost
- Community Assets - depreciated historical cost
- Surplus Assets - fair value based on market value in highest and best use

- Assets Under Construction - historical cost
- Investment Properties (Common Good only) - fair value based on market value in highest and best use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued on a rolling 5-year programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to establish whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Investment Properties and Assets Held for Sale are not subject to depreciation.

Depreciation is charged on a straight-line basis over the useful life of the assets (as advised by a suitably qualified officer). Depreciation is charged in the year of acquisition but not in the year of sale.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For the purposes of component accounting the Council considers significant components being those with a cost that is at least 20% of the overall cost of the asset. Individual assets shall be disregarded for component accounting where their carrying value is below £2m.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Property, land and buildings are classified as 'held for sale' when the following criteria are met:

- the property is available for sale in its present condition;
- the sale is highly probable;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

To comply with statutory guidance, this gain or loss is excluded when determining the General Fund balance within the Movement in Reserves Statement.

R Public Private Partnership (PPP) / NPD and similar contracts

PPP / NPD and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PPP / NPD contractor. As the Council is deemed to control the services that are provided under its PPP / NPD schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For North Ayrshire Council Schools PPP contract, the liability was written down by an initial capital contribution of £1.743 million.

The amounts payable to the PPP/ NPD operators each year are analysed into four elements:

- service charges and lifecycle replacement costs – value of services including cleaning and janitorial services, repairs and maintenance, energy, non domestic rates and insurances debited to the relevant service in the CIES;
- interest payments – the interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- liability repayment– repayment of the principal owed to the PPP operator, applied to write down the Balance Sheet liability.

S Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation, and measured at the best estimate, at the balance sheet date, of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made); the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not definite that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

T Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and do not represent usable resources for the Council; these reserves are explained in the relevant notes.

U Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

V VAT

All income and expenditure excludes amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and net VAT paid is fully recoverable by the Council.

W Fair Value Measurement

The Council values some of its non-financial assets, such as Surplus Assets and Investment Properties (Common Good Funds only), and some of its financial instruments at Fair Value. Fair Value is the price that would be received either on the sale of an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset; or
- in the absence of a principal market, in the most advantageous market for the asset.

The Council measures the Fair Value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the Fair Value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which Fair Value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

NORTH AYRSHIRE COUNCIL**28 May 2019****Audit and Scrutiny Committee**

Title: Internal Audit Annual Report 2018-19**Purpose:** To provide the Committee with an annual report on the work of Internal Audit during 2018-19 and provide an opinion on the governance, risk management and internal control environment of the Council.**Recommendation:** The Committee is asked to note the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

1. Executive Summary

- 1.1 The Internal Audit Annual Report attached at Appendix 1 provides information on the work carried out during the period of the 2018-19 audit plan.
- 1.2 It is the opinion of the Senior Manager (Internal Audit, Risk and Fraud) that reasonable assurance can continue to be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

2. Background

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor prepares an annual report on the activities of Internal Audit to demonstrate performance and that the report should contain a view on the soundness of the Council's governance, risk management and internal control frameworks. The Annual Report for 2018-19 is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the section during the year and the key audit findings. It also contains the annual audit assurance statement.
- 2.2 The report gives information on the actual performance against the agreed plan. Overall, 689 days of audit work took place, which was 32 days less than budgeted. Paragraph 2.7 of the annual report details the actual time spent on each category of audit work.

- 2.3 At 31st March, one draft report was with the client Service for agreement and a further 8 planned audits were still being worked on and will be completed during the first quarter of 2019-2020.
- 2.4 Section 3 of the Annual Report provides information on the most significant findings. Each of these audits, along with all other audit reports published, were reported to the Audit and Scrutiny Committee and the full reports made available to Elected Members.
- 2.5 All audit findings during the year support and inform the opinion by the Senior Manager (Internal Audit, Risk and Fraud) on the adequacy of the Council's governance, risk management and internal control environment. Each audit is given an assurance category, and these inform the overall level of assurance. The Public Sector Internal Audit Standards require this opinion to be given each year through an annual assurance statement. This is included within the annual report at section 6.
- 2.6 The opinion in the annual assurance statement also contributes to the Annual Governance Statement which is published as part of the Council's annual accounts and is elsewhere on the Audit and Scrutiny Committee agenda for approval.
- 2.7 Based on the audit work carried out, the opinion of the Senior Manager (Internal Audit, Risk and Fraud) is that reasonable assurance can continue to be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

3. Proposals

- 3.1 It is proposed that the Committee notes the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

4. Implications/Socio-economic Duty

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

- 5.1 Council Services are consulted on the findings of Internal Audit throughout the year. No specific consultations have taken place in relation to this annual report.

Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)**, on **01294-324561**.

Background Papers

0

INTERNAL AUDIT ANNUAL REPORT

2018-19

Version:	Final
Date:	07/05/2019
Author:	Paul Doak
Classification:	PUBLIC



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

INTERNAL AUDIT ANNUAL REPORT 2018-19

1 Introduction

- 1.1** The Executive Director (Finance and Corporate Support) (the Council's Section 95 Officer) has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Internal Audit, Risk and Fraud) reports directly to the Executive Director on all audit matters, with the right of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee on any matter. These rights of access help ensure the organisational independence of Internal Audit.
- 1.2** During 2018-19, the section operated in conformance with the 'Public Sector Internal Audit Standards (PSIAS)'. The Standards define the way in which the Internal Audit section should be established and undertake its functions. The section complied with the PSIAS requirement for an external assessment during every five-year cycle; this was undertaken by Falkirk Council in 2017 through the peer-to-peer review network of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG).
- 1.3** The Internal Audit section also operated under an 'Internal Audit Charter' which was refreshed and approved by the Audit and Scrutiny Committee in January 2018.
- 1.4** One of the requirements of the PSIAS is the publication of an annual report. The aim of this annual report is to give an overview of the work carried out during 2018-19. Some information is provided on the resources available to Internal Audit and the performance of the section.
- 1.5** Finally, the report provides an assurance statement on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks.

2 Planned and Actual Activity during 2018-19

- 2.1** The Internal Audit plan for the period 1st April 2018 to 31st March 2019 was approved by the Audit and Scrutiny Committee in March 2018.
- 2.2** From the total of 721 planned days, 624 days (87%) were budgeted as 'productive' and allocated for carrying out audit work. A further 97 days (13%) were budgeted for 'non-productive' time: management and strategy, attendance at meetings, administration and staff training and development. Time is determined as 'productive' or 'non-productive' in line with definitions produced by CIPFA.
- 2.3** During 2018-19, 689 work days took place; this was 32 days less than budgeted. One member of the audit team changed their working hours early in the year which resulted in a small reduction in the available resource.
- 2.4** There were 597 actual 'productive' days during 2018-19 and 92 'non-productive' days. At 87% of total actual days, this meant productive days were in line with the target.
- 2.5** This was in line with 2017-18, when productive days were also 87% of the total. The target for 2019-2020 has remained at 87%; based on experience in recent years, this is considered the optimum level of performance.

2.6 Two audits were withdrawn from the plan during the year with Audit and Scrutiny Committee approval – these related to ‘Procurement and Accounts Payable’ and ‘Community Benefits in the planning process’. Every other audit within the approved plan for 2018-19 was either completed during the year or was in progress at 31st March 2019; one draft report was with the client Service for agreement and a further 8 planned audits were still being worked on and will be completed within the first quarter of 2019-20.

2.7 Budget and actual days, together with the variance from budget, are shown against the main themes from the audit plan in the table below. A full analysis of the time spent on individual audits is provided at pages 7 to 11 of this annual report.

	Budget Days	Actual Days	Variance
Key Corporate Systems	50	39	11 days under
Other Systems	245	261	16 days over
ICT auditing	20	4	16 days under
Governance	55	45	10 days under
Performance Monitoring	15	20	5 days over
Regularity Audits	50	54	4 days over
Following the Public Pound	22	26	4 days over
Other Work	145	148	3 days over
Investigations/Contingencies	22	0	22 days under
TOTAL	624	597	27 days under

2.8 Audits of Key Corporate Systems were 11 days under budget; this was due to the withdrawal of the audit relating to ‘Procurement and Accounts Payable’ referred to at 2.6 above.

2.9 Other Systems audits were 16 days over budget – several audits required additional work, particularly those on Business Continuity and Commercial and Industrial Rents, although this was partly offset as a number of audits remained ongoing at 31st March.

2.10 The ICT audit was under budget as fieldwork was still in progress at the end of March.

2.11 Governance audits were 10 days under budget; this was due to the withdrawal of the audit relating to ‘Community Benefits in the planning process’ referred to at 2.6 above.

2.12 There was no requirement for the investigations/contingencies budget of 22 days during 2018/19.

2.13 In line with the Council’s defalcation procedures, all instances of suspected fraud and irregularity should be reported to Internal Audit. These are investigated by the specialist Corporate Fraud team and a separate report has been prepared on the work of that team.

3 Main Findings

3.1 Detailed below are the most significant findings from the audit work finalised during 2018-19.

3.2 Movers process

A review was carried out of the process around employees who change jobs within the Council, to ensure that controls were in place to ensure that they could only access systems and network folders that were required for their new roles.

Only limited assurance could be provided as it was found there is a significant risk that employees will continue to have access to personal and sensitive information which they do not require.

An action plan was accepted which will significantly reduce the risk and which is being implemented during 2019/2020.

3.3 Charging for Social Care services

The Director of Health and Social Care requested that an audit be carried out to identify whether all service users that should be getting charged for services were being charged.

It was identified that a number of service users, particularly on Arran, were not routinely being referred for financial assessments and some service users were not being billed due to resourcing issues.

The Health and Social Care Partnership is implementing an action plan which will address these issues.

3.4 Customer Services

This audit from the 2017/18 was concluded early in the 2018/19 financial year.

Concerns were identified around the user access controls for the Council's Customer Relationship Management system and a number of actions were implemented by Customer and Digital Services to address these issues.

3.5 Accounts Payable duplicate payments

A number of data analysis tests are conducted on the Council's Accounts Payable system on a bi-annual basis.

During 2018/19, this work identified a number of duplicate payments to suppliers with substantial combined value – however, these were not significant as a proportion of the overall payments made in the year. Internal Audit has worked with Corporate Procurement to identify the causes and reduce the level of duplicate payments moving forward.

3.6 These findings, together with those from other audits carried out, contribute to the assurance statement in section 6 of this report.

4 Audit Resources

- 4.1** The Internal Audit section is directly managed by the Team Manager (Internal Audit), who reports to the Senior Manager (Internal Audit, Risk and Fraud). The Senior Manager is responsible for Internal Audit, as well as Corporate Fraud, Risk Management, Insurance, Health and Safety and the Directorate Performance Management team within Finance and Corporate Support.
- 4.2** As well as the Team Manager, the team consisted of one full-time and one part-time Internal Auditor as well as a part-time Computer Auditor.
- 4.3** All staff within the section hold a relevant qualification, either through an institute which is part of the CCAB (Consultative Committee of Accountancy Bodies) or the IIA (Institute of Internal Auditors).

5 Performance

- 5.1** During 2018-19, Internal Audit provided quarterly updates on work carried out to the Council's Audit and Scrutiny Committee. Elected Members had the opportunity to discuss all Internal Audit reports and question either the Senior Manager or relevant officers from Council services. All Elected Members have access to full copies of all Internal Audit reports on a confidential basis through the Council's intranet.
- 5.2** The Council's performance management system, Pentana, is utilised to follow-up on audit recommendations. Officers with responsibility for implementing recommendations are required to update the Pentana system and updates are provided to the Audit and Scrutiny Committee on a quarterly basis. Where actions are overdue, officers may be required to attend the Committee to update Elected Members on plans to ensure that actions are implemented.
- 5.3** Internal Audit issues customer feedback questionnaires at the end of each audit assignment. This is designed to gather feedback from those who assisted with the audit and aims to help measure the effectiveness of audit work, ensuring it is targeted to best effect.
- 5.4** A range of performance indicators is used to monitor performance within the section and these are detailed in full on page 12, along with the two previous years' actual figures. These are tracked by the Team Manager on a quarterly basis and are discussed with all audit staff to review performance and identify opportunities for development.
- 5.5** Most importantly, the section continues to achieve its percentage of productive time as noted at 2.4 above.
- 5.6** Actual performance against the 'audits complete in budgeted days' indicator is significantly below target. This reflects the completion of individual audit assignments rather than the audit plan as a whole; other assignments which have been under budget have compensated.
- 5.7** Most of the audits which have been over budget have been only marginally so, although significant additional time was spent on Payroll and Accounts Payable transaction testing and audits of Business Continuity and Commercial and Industrial Rents, where the budgeted time was insufficient for the audit work required. The

budget has been increased in the five-year plan for the next time these audits are carried out. A change to the format of the audit report has been implemented for 2019-2020 which will reduce the time taken to prepare the reports and assist with keeping more audits under budget.

- 5.8** The Internal Audit section also calculates 2 annual performance indicators which are required by the CIPFA Directors of Finance group. These are as follows:

	2016-17	2017-18	2018-19
Productive days achieved per audit plan	72.2%	107.3%	95%
Cost of Internal Audit per £1m of net expenditure	£564.61	£497.05	tbc

- 5.9** The 'productive days achieved per the audit plan' were slightly lower in 2018-19 than 2017-18; as noted at 2.3 above, one member of staff reduced their working hours slightly during the audit year. In 2017-18, the Council was ranked 4th from 32 authorities.
- 5.10** The 'cost of Internal Audit per £1m of Council net expenditure' cannot be calculated until the closure of the Council's 2018-19 accounts. This will be reported as part of the Council's performance reporting arrangements at a later date. Based on the 2017-18 performance, the Council was ranked 2nd from 32 authorities and the cost was significantly below the Scottish average of £906.82. The Council was ranked 3rd in 2016-17.

6 Assurance statement

- 6.1** This statement on the adequacy and effectiveness of the frameworks of governance, risk management and internal control is based on the audit work performed during 2018-19 as reported above. It also draws on the experience of audit work carried out in earlier years as well as assurances received from management and external audit findings.
- 6.2** Internal Audit staff have carried out work, both on a corporate basis and within each of the Service groups and, subject to the comments in section 3 above, the conclusion drawn from that work was that most of the anticipated governance, risk management and internal control frameworks were in place and operating effectively.
- 6.3** Where Internal Audit identified opportunities for improvement, the responses received from managers continued to be positive and there was commitment to implementing Internal Audit's recommendations.
- 6.4** On this basis, it is my opinion that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

Paul Doak
Senior Manager (Internal Audit, Risk and Fraud)
7th May 2019.

FINAL REPORT

PRODUCTIVE TIME - AUDIT PLAN

Key Corporate Systems	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Procurement and Accounts Payable	Review controls within the Procurement and Accounts Payable section.	15	0	15	Audit withdrawn from plan.	n/a	n/a
General Ledger system	Review controls in the new Integra GL system.	15	19	-4	Finalised.	29/03/2019	28/05/2019
Income Collection	Carry out a review of the controls within the PARIS income collection system and within a range of income collection locations.	20	20	0	Finalised.	19/12/2018	29/01/2019
TOTAL AUDIT DAYS		50	39				

Other Systems	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Members Allowances and Expenses	Consider the controls that are in place around the payment of allowances and expenses to the Council's elected members.	15	15	0	Finalised.	24/08/2018	25/09/2018
Regeneration	Carry out a review within the Regeneration section.	15	11	4	Fieldwork ongoing		
Revenues and Benefits	Review a range of controls within the Revenues and Benefits teams.	15	15	0	Finalised.	07/03/2019	26/03/2019
Business Continuity	Consider the adequacy of the Council's Business Continuity arrangements.	10	18	-8	Finalised.	19/12/2018	29/01/2019
Charging for Social Care Services	Carry out a detailed review of the application of the Council's Charging Policy for Social Care Services.	25	29	-4	Finalised.	31/01/2019	26/03/2019
Community based support	Review controls in relation to Community based support, with a particular focus on the use of the CM2000 system.	20	19	1	Fieldwork ongoing		
Aids and Adaptations	Review controls in relation to Aids and Adaptations within the Health and Social Care Partnership.	20	24	-4	Finalised.	13/02/2019	26/03/2019
Throughcare payments	Examine the controls around Throughcare payments within Finance and the Health and Social Care Partnership.	15	17	-2	Finalised.	18/06/2018	25/09/2018
Integration Joint Board audit days	Carry out audit work within the Health and Social Care Partnership as agreed by the Performance and Audit Committee of the Integration Joint Board.	15	11	4	Fieldwork ongoing		
Building Services stores controls	Examine the controls within the Building Services materials store.	10	11	-1	Fieldwork ongoing		
Facilities Management Commercial Income	Consider the controls around the collection of commercial income by Facilities Management.	15	16	-1	Fieldwork ongoing	29/04/2019	28/05/2019
Transportation	Review controls in the Transport Hub in relation to transportation, with a particular focus on the use of taxis.	15	19	-4	Finalised.	31/01/2019	26/03/2019
Roads stores controls	Examine the controls within the Roads materials store.	10	11	-1	Finalised.	09/10/2018	20/11/2018
Procurement and performance management of term contracts	Review the procurement and performance management of contracts by Property Management and Investment.	20	14	6	Fieldwork ongoing		
Sale of Council land and buildings	Review the sale of land and buildings by the Council.	10	8	2	Fieldwork ongoing		
Commercial and industrial rents	Review the governance arrangements and processes around commercial and industrial property rentals.	15	23	-8	Finalised.	08/10/2018	20/11/2018
TOTAL AUDIT DAYS		245	261				

ICT Auditing	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Cyber resilience	Review the Council's cyber resilience arrangements.	20	4	16	Fieldwork ongoing		
TOTAL AUDIT DAYS		20	4				

Governance	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Community Association accounts	Review the accounts and monitoring information submitted by a sample of Community Associations.	5	3	2	Finalised.	n/a	n/a
Community Benefits (planning process)	Consider the use of community benefits within the planning application process.	15	1	14	Audit withdrawn from plan.	n/a	n/a
Movers process	Review the controls around employees who move job within the Council, with a particular focus on access to personal and sensitive information.	20	25	-5	Finalised.	31/01/2019	26/03/2019
PVG and Disclosure checking	Carry out a review of the controls which are in place in relation to PVG and Disclosure checking.	15	16	-1	Draft report with Service	01/04/2019	28/05/2019
TOTAL AUDIT DAYS		55	45				

Performance Monitoring	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Performance indicators	Provide assurance on the robustness and accuracy of a sample of indicators.	15	20	-5	Finalised.	31/10/2018	20/11/2018
TOTAL AUDIT DAYS		15	20				

Regularity Audits	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Primary Schools	Review financial controls within the Council's primary schools using self-assessment audit questionnaires and investigate any concerns which arise.	30	31	-1	Finalised.	21/12/2018	29/01/2019
Accounts Payable transaction testing	Use computer audit software to interrogate the HR/Payroll system and examine any anomalies which arise.	10	11	-1	Finalised.	n/a	n/a
Payroll transaction testing	Use computer audit software to interrogate the Accounts Payable system and examine any anomalies which arise.	10	12	-2	Finalised.	n/a	n/a
TOTAL AUDIT DAYS		50	54				

Following the Public Pound	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Community Councils	Annual audit of Community Councils accounts' to ensure Council funding is used in accordance with the Council's Scheme of Administration.	10	15	-5	As required.	n/a	n/a
Footwear and Clothing Grants	Review the new electronic Footwear and Clothing Grants process.	10	9	1	Finalised.	07/03/2019	26/03/2019
Tenants and Residents Associations	Annual audit of the accounts of various Tenants and Residents Associations.	2	2	0	As required.	n/a	n/a
TOTAL AUDIT DAYS		22	26				

Other Work	Audit Objective	Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19
Prior year audit work	Completing audits from the previous year's audit plan that were not fully complete by the end of March 2018 or starting audits early from the 2019/20 audit plan.	20	42	-22	All 18/19 audits were finalised within Q1.
Audit consultancy: ad-hoc advice	Providing advice to council services in response to ad-hoc queries	12	13	-1	As required.
Audit consultancy: project work	Participating in project work to support developments in other council services.	30	17	13	As required.
Follow-up	Follow up of previous audit reports to ensure that appropriate action has been taken.	15	12	3	As required.
Audit planning and monitoring	Preparing audit plans and monitoring progress and performance against plans.	20	28	-8	As required.
Audit and Scrutiny Committee	Supporting the Council's Audit and Scrutiny Committee by preparing reports, attending meetings and delivering training for elected members as required.	25	26	-1	As required.
Governance documents	Review of governance documents	5	2	3	As required.
Development of the Audit service	Carry out developmental work to further enhance the efficiency of the audit section.	5	6	-1	As required.
Internal Audit self-assessment against PSIAS	Undertake a quality assurance programme for Internal Audit in line with the requirements of the Public Sector Internal Audit Standards (PSIAS).	2	0	2	As required.
Grant claims	Certification of expenditure funded by specific grants from external funding bodies	8	1	7	As required.
Annual Accounts	Work in relation to the Council's annual accounts, including stock counts, reviewing imprests and preparing the Annual Governance Statement.	3	1	2	As required.
TOTAL AUDIT DAYS		145	148		

TOTAL	PRODUCTIVE TIME - AUDIT PLAN	602	597
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PRODUCTIVE TIME - CONTINGENCIES AND INVESTIGATIONS

[illegible]

TOTAL	PRODUCTIVE TIME - CONTINGENCIES AND INVESTIGATIONS	22	0
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PRODUCTIVE TIME - RESERVE AUDITS

		Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Progress @ 31/03/19	Final Report issued	Report to Audit and Scrutiny
Reserve Audits	Audit Objective						
Library and Information service	Review a range of controls within the Library and Information service.	15	0	15			
Burials and Bereavements	Review a range of controls within the Burials and Bereavements team.	10	0	10			
Additional Special Needs schools	Review controls within the Council's additional special needs schools establishments.	15	0	15			

TOTAL	PRODUCTIVE TIME - RESERVE AUDITS	40	0
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NON-PRODUCTIVE TIME

		Planned Audit Days	Actual Days @ 31/03/19	Variance Fav / (Adv)	Current Progress @ 31/03/19
Management		18	18	0	On target.
Administration		22	23	-1	On target.
Meetings		39	32	7	Less time than planned was spent on meetings.
Training		18	19	-1	On target.

TOTAL	NON-PRODUCTIVE TIME	97	92
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TOTAL DAYS	721	689
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	ANNUAL BUDGET	ACTUAL to 31/03/2019
PRODUCTIVE DAYS	624 87%	597 87%
NON-PRODUCTIVE DAYS	97 13%	92 13%
TOTAL DAYS	721 100.0%	689 100.0%

Internal Audit Performance Indicators

	2016/17 Actual	2017/18 Actual		2018/19 Target	2018/19 Actual
% of auditor time spent productively	87%	87%		87%	87%
Training days per auditor	1.7 days	5.0 days		3.6 days	3.7 days
Final reports issued	30	24		n/a	27
Audits completed within budgeted days	67%	46%		75%	41%
Draft reports issued within 21 days of fieldwork completion	96%	92%		100%	81%
Final reports issued within 14 days of return of action plan	90%	96%		100%	96%
Actions implemented on time by Council services	85%	86%		80%	83%
Ad-hoc requests for advice from Council services	30 requests	72 requests		n/a	60 requests

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Internal Audit and Corporate Fraud Action Plans: Quarter 4 update
Purpose:	To advise the Audit and Scrutiny Committee on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2019.
Recommendation:	That the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those Services that have not implemented actions within the previously agreed timescales.

1. Executive Summary

- 1.1 The CIPFA document 'Audit Committee Principles in Local Authorities in Scotland' highlights that Audit Committees should monitor and review the progress made in implementing audit recommendations.
- 1.2 Service managers are responsible for ensuring that agreed actions arising from Internal Audit and Corporate Fraud reviews are implemented. This provides assurance that identified control weaknesses have been addressed and are being managed effectively.
- 1.3 All actions are monitored on the Pentana system and service managers are responsible for updating Pentana as they progress each action. This enables Internal Audit to monitor progress on a 'real-time' basis and address any delays in implementation.
- 1.4 This report details the position at 31 March 2019.

2. Background

- 2.1 The last report to the Audit and Scrutiny Committee on 26 March 2019 highlighted that there were 31 actions outstanding at the end of December 2018: 3 that had not been started or were only partially implemented and 28 where the due date had not yet passed.
- 2.2 In addition to these 31 'carried forward' actions, there have been 23 new actions agreed during quarter 4, giving a total of 54 action points for review.

- 2.3 Services have completed 19 actions since the last report. All services are required to retain evidence of work carried out in completing their actions and Internal Audit carries out 'spot-checks' on a sample of completed actions on an ongoing basis.
- 2.4 Of the remaining 35 actions, 7 were either not started or only partially complete at 31 March and the remaining 28 were not due for completion until after that date.
- 2.5 Appendix 1 to this report provides the Committee with full details of the 7 actions that were not complete within the agreed timescales.

3. Proposals

- 3.1 It is proposed that the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those services that have not implemented actions within the previously agreed timescales.

4. Implications/Socio-economic Duty

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	The effective implementation of agreed Internal Audit and Corporate Fraud actions helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

- 5.1 Council Services are consulted during the completion of each Internal Audit and Corporate Fraud review and have also provided updates on progress made in implementing action points.

Insert Director's name
Insert Director's title

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers

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Actions due by 31st March 2019 but not started or partially complete

Generated on: 26 April 2019

Code	IA2018PA004d	Description	Corporate Communications and Customer Services should give consideration to jointly purchasing social media software that would allow individual usernames and passwords to be set up for the council's corporate social media accounts. Consideration should also be given to rolling this out to all Council social media accounts.		
Priority	2	Latest Note	<p>The new product provided by our current telephony supplier was tested thoroughly but did not provide adequate mobile flexibility to update Twitter on the go and was not rolled out to Communications.</p> <p>The Customer Services team reverted to the original Hootsuite software. Hootsuite is a web-based system; IT already logs all internet activity by user, date & time and site visited. If required, IT Services can run a report for this website on a specific date, time and user for audit purposes, provided activity takes place within the network.</p> <p>Further investigations are underway to identify affordable social media solutions to meet the needs of Customer Services, Communications and audit requirements. Our new platform Salesforce provides Social Media functionality and is currently one of the options under investigation. Estimated completion date December 2019.</p>		
Progress Bar	<div><div>60%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Mar-2019
Parent Code & Title	IA2018PA004 Social Media			Managed By	Fiona Walker
				Assigned To	Sheila Paisley

Code	IA2018PA004i	Description	Legal Services should provide advice on whether a personal social media account should be used for investigation purposes or whether a council account should be set up for this purpose. The relevant guidance should be updated to reflect the advice given, whether it be RIPSAs guidance or the social media policy.		
Priority	1	Latest Note	Meetings will be arranged by Legal Services with Trading Standards, Corporate Fraud and the Anti-social Behaviour Investigation teams to determine their practice relative to use of social media accounts for investigative purposes and advice will be given accordingly. That will be completed by 30th June 2019.		
Progress Bar	<div><div></div></div> 0%	Original Due Date	31-Mar-2019	Due Date	31-Mar-2019
Parent Code & Title	IA2018PA004 Social Media			Managed By	Andrew Fraser
				Assigned To	Eleanor McLaren

Code	IA2019PA003a	Description	The Council's Money Laundering Reporting Officer should remind all staff members responsible for handling cash of the requirements for reporting cash payments over £3,000.		
Priority	2	Latest Note	New Money Laundering regulations have been published. The Council guidance is being updated to reflect the new regulations and staff will be reminded about the guidance once this is done. This will be completed by June 2019.		
Progress Bar	<div><div></div></div> 20%	Original Due Date	31-Jan-2019	Due Date	31-Jan-2019
Parent Code & Title	IA2019PA003 Income Collections			Managed By	Laura Friel
				Assigned To	Paul Doak

Code	IA2019PA007b	Description	Formal Terms of Reference should be established for the Business Continuity Liaison Group and a timetable of regular meetings established.		
Priority	2	Latest Note	<p>Audit improvement actions will form part of a wider and all-encompassing review of Business Continuity, in a tailored approach to meet internal stakeholder requirements. Initial consultation has been undertaken with Zurich Municipal, with the first step for them being to conduct a desktop review of current practice.</p> <p>Future actions will include review of the BC framework, delivery of training and awareness sessions and facilitation of a corporate business continuity test.</p> <p>The actions around the Terms of Reference and future meetings will be taken forward as part of the work programme around this and other audit actions. The target delivery date for combined actions and the wider improvement programme has been agreed with Zurich as the 31st August 2019, to allow broader development of Business Continuity processes.</p>		
Progress Bar	<div><div>30%</div></div>	Original Due Date	20-Mar-2019	Due Date	20-Mar-2019
Parent Code & Title	IA2019PA007 Business Continuity			Managed By	Fiona Walker
				Assigned To	Alex Fitzharris

Code	IA2019PA014a	Description	The policy review for 'Free School and ASN Transport' should be completed and then be formalised as guidance procedures.		
Priority	2	Latest Note	There are likely to be multiple changes to the Transport Policy that will require Cabinet approval. It is proposed to alter the completion date to December 2019 to capture the information.		
Progress Bar	<div><div>40%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Mar-2019
Parent Code & Title	IA2019PA014 Transportation			Managed By	Andrew McClelland
				Assigned To	Donna Reid

Code	IA2019PA014b	Description	Social Work Resources should complete and publish the ' HSCP Eligibility for Transport Assistance' Policy.		
Priority	2	Latest Note	This Policy will be tabled at Partnership Senior Management Team for comment. Completion target July 2019.		
Progress Bar	<div><div>75%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Mar-2019
Parent Code & Title	IA2019PA014 Transportation			Managed By	Thelma Bowers
				Assigned To	Jan Thomson

Code	IA2019PA014c	Description	The Transportation Appeals Process should be formalised, with clear criteria established, and time limit for and grounds to appeal. The decision panel should include a neutral member		
Priority	2	Latest Note	There are likely to be multiple changes to the Transport Policy that will require Cabinet approval. It is proposed to alter the completion date to December 2019 to capture the information.		
Progress Bar	<div><div>40%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Mar-2019
Parent Code & Title	IA2019PA014 Transportation			Managed By	Andrew McClelland
				Assigned To	Donna Reid

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Internal Audit Reports issued
Purpose:	To inform the Committee of the findings of Internal Audit work completed during March and April 2019.
Recommendation:	That the Committee considers the outcomes from the Internal Audit work completed.

1. Executive Summary

- 1.1 The Council's local Code of Corporate Governance requires effective arrangements to be put in place for the objective review of risk management and internal control. Internal Audit is an important element in this framework as it reviews internal controls and offers Elected Members and officers an objective and independent appraisal of how effectively resources are being managed.
- 1.2 The remit of the Audit and Scrutiny Committee includes the monitoring of Internal Audit activity. The submission and consideration of regular reports assists the Committee in fulfilling this remit.

2. Background

- 2.1 This report provides information on Internal Audit work completed during March and April 2019. Internal control reviews have been completed in respect of the areas detailed in Appendix 1 to this report. The aim of these reviews is to provide assurance that the internal control framework within the areas examined is appropriate and operating effectively.
- 2.2 The findings from each audit assignment have been notified in writing to the Chief Executive, the Executive Director (Finance and Corporate Support) and the relevant Executive Director and service managers on the completion of each assignment. Where appropriate, this has included an action plan detailing recommendations for improving internal control. Appendix 1 includes the executive summary and action plan from each audit.

- 2.3 Full copies of all Internal Audit reports are provided to all Elected Members, in confidence, through the Council's intranet site. Reports are held within the dedicated 'Members' information' area at:

<http://naconnects.north-ayrshire.gov.uk/elected-members/audit-reports/audit-reports.aspx>

- 2.4 The findings from three separate audit assignments are detailed at Appendix 1 to this report. There are no significant findings which is a positive position.

3. Proposals

- 3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed during March and April 2019.

4. Implications/Socio-economic Duty

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

- 5.1 The relevant Services are consulted on Internal Audit findings during each audit assignment.

Insert Director's name

Insert Director's title

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers

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EXECUTIVE SUMMARY GENERAL LEDGER SYSTEM

Background

This audit was conducted as part of the approved 2018/19 Internal Audit Plan and reviewed controls in the new Integra General Ledger system relating to Feeder systems, suspense/holding accounts and bank reconciliations.

Key Objectives

The main objectives of this audit were to ensure that:

- There are appropriate controls in place to reconcile feeder files posted to the general ledger and any resulting errors are investigated and cleared on a timely basis.
- Suspense and holding accounts are reconciled and cleared on a timely basis
- Bank reconciliations are carried out on a regular basis, independently reviewed and issues are highlighted on a timely basis.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- The suspense reconciliation checklist spreadsheet is not being fully utilised to ensure that issues with suspense accounts and bank account reconciliations are highlighted and escalated where appropriate.
- A number of suspense reconciliations and bank reconciliations have not been reviewed at all or have not been independently reviewed.

Audit Opinion

Overall, reasonable assurance was obtained with regard to the controls in the new Integra General Ledger system relating to Feeder systems, suspense/holding accounts and bank reconciliations.

ACTION PLAN GENERAL LEDGER SYSETM

Action	a
Action Description	IT Services System Admin should contact Capita to request a solution to either prevent the same feeder file being processed or, at the very least, give a warning to the user that this file has already been processed.
Risk	The same feeder file is processed resulting in a reversal process being carried out.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Assigned to	Senior System Administrator
Due Date	31st May 2019
Management Response	The IT Services System Administration Team will raise this as a call with Capita and escalate to the Capita Account Manager.

Action	b
Action Description	An overarching procedure note for the suspense reconciliation checklist spreadsheet should be produced. Relevant staff should familiarise themselves with such procedure notes, to ensure the spreadsheet is properly completed. The checklist should be reviewed on a regular basis and any issues escalated promptly.
Risk	The checklist is not being fully utilised and reconciliation issues are not being recorded, monitored and escalated on a timely basis.
Priority (1, 2, 3)	1
Paragraph Reference	3.3, 3.4, 3.5, 3.9, 3.12
Assigned to	Senior Manager – Strategic Business Partner
Due Date	5 April 2019
Management Response	Work is underway to formalise the procedure for updating the reconciliation spreadsheet. This will be shared with all relevant officers before completion of the 2018/19 close.

Action	c
Action Description	There should be evidence that reconciliations have been independently reviewed in a timely manner.
Risk	Errors not identified. Lack of separation of duties increases risk of fraud and error.
Priority (1, 2, 3)	1
Paragraph Reference	3.4, 3.6
Assigned to	Senior Manager – Strategic Business Partner
Due Date	31 March 2019
Management Response	The allocation of reconciliations across officers has been reviewed and an independent reviewer has been assigned for each.

Action	d
Action Description	Consideration should be given to closing the Creditors Grants bank account if it is determined that it is no longer required and the balance is suitably transferred.
Risk	Potential additional work relating to maintenance of unnecessary additional bank account.
Priority (1, 2, 3)	3
Paragraph Reference	3.7
Assigned to	Senior Manager – Strategic Business Partner
Due Date	31 March 2019
Management Response	The current balance is being reviewed with a view to closing the account before the end of the financial year.

Action	e
Action Description	The Housing Advances bank account should be reviewed and the reconciliations should recommence if this account is still being used.
Risk	Unidentified transactions which therefore do not receive the correct accounting treatment. Potential for fraud or error which would not be identified timeously.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Assigned to	Senior Manager – Strategic Business Partner
Due Date	31 March 2019
Management Response	The transactions have been investigated and corrected. A final reconciliation will be completed at the end of the current financial year.

Action	f
Action Description	A decision should be made on the historical unreconciled Payroll transactions as per the Payroll bank reconciliation to ensure they are not continually carried forward.
Risk	Incorrect accounting treatment of transactions. Unnecessary complication in ongoing reconciliations.
Priority (1, 2, 3)	2
Paragraph Reference	3.8
Assigned to	Senior Manager – Strategic Business Partner
Due Date	31 March 2019
Management Response	All transactions are passed to HR Payroll for investigation and confirmation of corrective action. Procedures are being put in place to escalate issues not corrected within 3 months to Senior Managers for further action. Historic balances will be raised with HR Payroll to determine appropriate remedial action.

Action	g
Action Description	Outstanding cheques from Masterpiece should be cancelled and a process put in place for cancelling outstanding cheques since Integra went live.
Risk	Unnecessary complication in the reconciliation.
Priority (1, 2, 3)	3
Paragraph Reference	3.11
Assigned to	Senior Manager – Strategic Business Partner
Due Date	31 March 2019
Management Response	Integra software supplier has now confirmed the correct procedures for cancelling outstanding cheques and a report detailing outstanding cheques from the previous ledger system has been developed. All outstanding cheques are now being cancelled or re-issued as appropriate.

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

EXECUTIVE SUMMARY

FACILITIES MANAGEMENT COMMERCIAL INCOME

Background

This audit was conducted as part of the 2018/19 audit plan

There has been an expansion of the commercial catering function provided by Facilities Management over recent years. This audit focussed on the processes at 4 of the newer facilities – namely Saltcoats Town Hall, the canteen within the DSM factory in Dalry, the café in the Portal leisure centre and the café in Cunninghame House.

Key Objectives

The main objective of this audit was to ensure that each of the facilities noted above have:

- Appropriate cash management procedures in place,
- Effective stock management controls,
- Accurate financial information available, to allow for accurate and timely decision making

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary. The key findings are as follows:

- Financial procedures and templates need to be updated
- Issues with the coding of income and expenditure have affected the quality of information available from the Council's finance ledger

Audit Opinion

Overall, reasonable assurance was obtained with regard to the processes surrounding Facilities Management's commercial income.

The main area requiring improvement is the coding of expenditure in the financial ledger. This will allow Facilities Management to evidence that its locations are making a profit and provide good quality information for future decision making.

ACTION PLAN
FACILITIES MANAGEMENT COMMERCIAL INCOME

Action	a
Action Description	<p>Facilities Management should review and update the financial procedures and related templates.</p> <p>Undertake refresher training with staff to ensure they are aware of the changes to processes and ensure they are aware of what is required of them going forward.</p>
Risk	Staff do not have accurate guidance documents resulting in errors
Priority (1, 2, 3)	2
Paragraph Reference	3.1, 3.3, 3.26, 3.34
Assigned to	Team Manager Events and Commercial
Due Date	31 st August 2019
Management Response	<p>The following procedures have been identified for update to capture commercial income accurately:</p> <ul style="list-style-type: none"> • Cash Count Form (NACC 1C) – <i>Changes Are Required</i> • Monthly Income (NACC 3) – <i>Changes Are Complete</i> • Monthly Monitoring Form (NACC22) – <i>Changes Are Required</i> <p>NACC 1C form is being amended for commercial income use. As an interim measure there is a ready reckoner to accompany the existing NACC 1C form to reduce errors in cash counting pending the implementation of the amended form.</p> <p>NACC 3 has been updated and is in use.</p> <p>NACC 22 will be amended for commercial use and implemented.</p> <p>The implementation procedure will be as follows;</p> <ul style="list-style-type: none"> • a change document for each financial procedure will be sent to all units, • training will then be completed by each unit manager, • training records will be sent back to Facilities Management to be stored on file and; • the CHRIS system will be updated to reflect training. <p>Completion of this action will require training of staff and therefore will be completed by 31st August 2019 to allow for rollout during school summer holidays.</p>

Action	b
Action Description	Keyholder registers must be updated to reflect new cash storage procedures.
Risk	The lack of a formal record showing who has authority to access cash can cause issues should a loss occur – both in terms of hampering the ensuing investigation and also invalidating the insurance cover.
Priority (1, 2, 3)	1
Paragraph Reference	3.15
Assigned to	Team Manager Events and Commercial
Due Date	31 st May 2019
Management Response	<p>The keyholders register has been amended and all existing keyholder names will be updated to ensure that the document is accurate.</p> <p>The imminent introduction of a card machine at Saltcoats Town Hall should reduce the amount of cash being handled within the facility. Facilities Management will introduce a key log for Saltcoats to add another layer of financial security requiring key holders to sign keys in and out. This will log who has access to cash storage at all times and should control risks highlighted above.</p>

Action	c
Action Description	A review of the coding of employee costs should be undertaken to ensure staff are being coded to the correct location. Staff coding overtime forms should be reminded that overtime should be charged to the location where the overtime was worked, rather than the employee's normal place of work
Risk	Financial ledger is inaccurate which could have a detrimental effect on decision making; staff time is wasted having to identify and correct errors.
Priority (1, 2, 3)	1
Paragraph Reference	3.28
Assigned to	Team Manager Events and Commercial
Due Date	31 st August 2019
Management Response	<p>There have been ongoing improvements made since January 2019 including the completion of a large exercise with Finance to code staff to appropriate cost centres prior to financial year end 2018-19.</p> <p>Facilities Management will undertake a monthly exercise to review staff coding during Q1 of financial year 2019-20 and undertake any further amendments after each month. The new Business Planning Team Manager will work closely with the Events Manager during monthly budgetary control to ensure the coding of employees is checked. It is expected that this action will be closed during Q2 2019 after final coding corrections have been completed.</p>

Action	d
Action Description	Transfers of costs between locations should be undertaken to ensure the true cost of providing services is reflected in the financial ledger.
Risk	Poor management decisions taken due to the lack of accurate financial information.
Priority (1, 2, 3)	1
Paragraph Reference	3.32, 3.34
Assigned to	Team Manager Events and Commercial
Due Date	29 th February 2020
Management Response	<p>This action will be completed as part of the Facilities Management budgetary control process over a period of 10 months up to February 2020. This will allow for robust monitoring of costs between locations and provide accurate financial information to support management decisions. Transfers will be monitored on a monthly basis to ensure that they are reflective of the costs incurred within each cost centre.</p> <p>The timescales for this action reflect the ongoing monitoring that will be required throughout the financial year.</p>

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

EXECUTIVE SUMMARY PVG AND DISCLOSURE CHECKING

Background

This audit was conducted as part of the 2018/19 audit plan.

Disclosure Scotland audited the Council's procedures for handling and submitting PVG (Protection of Vulnerable Groups) and Disclosure information in late 2016 and made 5 recommendations as a result.

Key Objectives

The main objectives of this audit were to ensure that:

- All the recommendations made by Disclosure Scotland and the subsequent internal improvement plan have been fully implemented,
- Appropriate checks are being completed on individuals prior to confirming a contract of employment.

Key Findings and Actions

All the recommended actions arising from this audit are detailed in the action plan which follows this Executive Summary.

The key finding of this audit is that recruiting services are not always keeping Employee Services fully and timeously informed at all stages of the recruitment process. This has resulted in instances of individuals delivering services on behalf of the Council before appropriate checks on their suitability have been undertaken, or legal contracts of employment have been offered or confirmed.

Audit Opinion

Overall, substantial assurance was obtained that Employee Services have fully implemented all the recommendations resulting from the Disclosure Scotland audit.

Recruiting services should be reminded of their responsibilities to keep Employee Services informed throughout the recruitment process.

ACTION PLAN

PVG AND DISCLOSURE CHECKING

Action	a
Action Description	Services should be reminded of the importance of following recruitment procedures and ensuring that Employee Services are informed timeously at every stage of the process.
Risk	Vulnerable adults and children are put at risk of being exposed to inappropriate individuals; reputational risk to the Council of having unfit individuals providing Council services; new starts not being paid as they have no formal start date noted on CHRIS
Priority (1, 2, 3)	1
Paragraph Reference	3.32; 3.33
Assigned to	Senior Manager Employee Services
Due Date	Complete
Management Response	<p>An email has been issued to the relevant Head of Service detailing the instances identified where recruiting managers have not adhered to the key steps within the recruitment process, with a request to reinforce the importance of adhering to the process.</p> <p>All recruiting managers have been emailed a reminder of the key steps within the recruitment process, the email reinforced that steps must be followed within a sequential order and that failure to adhere to these steps may put the Council at risk.</p>

Priority Key used in Action Plan

1 (High)	Control weakness where there is a material impact on the achievement of the control objectives, generally requiring prompt attention.
2 (Medium)	Control weakness which needs to be rectified, but where there is no material impact on the achievement of the control objectives.
3 (Low)	Minor weakness or points for improvement.

NORTH AYRSHIRE COUNCIL

28 May 2019

Audit and Scrutiny Committee

Title:	Corporate Fraud Annual Report 2018-19
Purpose:	To provide the Audit and Scrutiny Committee with an annual overview of the work of the Corporate Fraud Team during 2018-19.
Recommendation:	That the Committee notes the work carried out by the Corporate Fraud Team during 2018-19.

1. Executive Summary

- 1.1 The Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation.
- 1.2 Committee receives bi-annual updates on the work of the team. A mid-year update for 2018-19 was provided in November 2018 and this report provides an overview of the key achievements during the full year.

2. Background

Investigation Work

- 2.1 Referrals for investigation have been made to the team from a number of sources, including Customer Services and Housing, members of the public and other agencies and local authorities. The publicity used by the team, including posters and leaflets, advertising on Council vans and contact information on the Council website, continues to be successful in generating a constant stream of referrals.
- 2.2 Investigations have been carried out covering employee-related matters as well as a range of service areas including Council Tax, Discretionary Housing Payments, Scottish Welfare Fund, Blue Badges and Housing tenancy issues. Although responsibility for investigating Housing Benefit fraud lies with the DWP Single Fraud Investigation Service (SFIS), issues may be identified by the Corporate Fraud Team which can result in changes being made to benefits in payment.
- 2.3 The team received 356 referrals for investigation during 2018-19. All referrals made to the team are investigated although many can subsequently prove unfounded. 69 onward referrals were made to other Council Services or other agencies including SFIS, Police Scotland and the National Crime Agency.

Outcomes

- 2.4 Employee-related investigations are the subject of a separate report to the appropriate Service and the findings are also reported to the Audit and Scrutiny Committee.
- 2.5 Successful financial outcomes valued at just over £132,000 were achieved as a result of the work of the team during 2018-19.
- 2.6 The team investigates all tenancy abandonments which are referred by Housing. While Housing focusses on recovering the tenancy, the Corporate Fraud Team can add value by locating the missing tenant, which can often lead to changes to benefits or discounts in payment elsewhere, as well as enabling Housing to recover costs associated with house clearances and cleaning. 22 tenancies were recovered, and financial recoveries are included within the figure at 2.5 above.
- 2.7 23 Blue Badge referrals were investigated, and this resulted in the recovery of five badges, the issue of warning letters and 4 cases being referred to the Procurator Fiscal for prosecution.
- 2.8 The team led the Council's response to a number of HMO (House of Multiple Occupation) investigations, working with Licensing, Building Standards and the Private Sector Housing Team. Three landlords were reported to the Procurator Fiscal and the court cases are pending. Any outcomes from these will be included in a future report to the Committee.
- 2.9 Following an investigation into the theft of materials from the Bartonholm recycling centre in Irvine, four employees were dismissed, reported to the Procurator Fiscal and subsequently convicted. A fifth employee pled not guilty with the court case pending.

Pro-active Work

- 2.10 In addition to the reactive work detailed above, the team also carried out a pro-active review of all empty domestic properties in receipt of Council Tax relief. This resulted in additional financial recoveries of around £8,000.
- 2.11 A data matching exercise has commenced using Council Tax and Licensing data. Specialist data matching software was utilised by the team to compare the two sets of data with the aim being to identify unregistered landlords and landlords whose registration has or is about to expire, as well as other areas of risk or suspicious activity. The outcome of this exercise will be included in the next report to Committee.

Other Updates

- 2.12 The team has commenced formal joint working with DWP in relation to cases with Housing Benefit and Council Tax Reduction elements – the aim is to share information and maximise the outcome from these cases.
- 2.13 The latest biennial National Fraud Initiative (NFI) commenced in October 2018 with the submission of data sets to the Cabinet Office. The team co-ordinates the Council's participation in the NFI. Data matches were received in February 2019 and passed to the appropriate teams for further investigation. This exercise is due to be complete by March 2020.

2.14 Internal Fraud Awareness Week took place between 11th and 17th November and awareness-raising events were held by the team at Irvine Library, Saltcoats Town Hall and Kilbirnie Library.

3. Proposals

3.1 It is proposed that the Committee notes the work carried out by the Corporate Fraud Team.

4. Implications/Socio-economic Duty

Financial:	None.
Human Resources:	None.
Legal:	None.
Equality/Socio-economic Duty:	None.
Children and Young People:	None.
Environmental & Sustainability:	None.
Key Priorities:	The work of the Corporate Fraud Team helps to support the efficient delivery of the strategic priorities within the Council Plan 2015-2020.
Community Benefits:	None.

5. Consultation

5.1 No consultation has been required in the preparation of this report.

Laura Friel
Executive Director (Finance and Corporate Support)

For further information please contact **Paul Doak, Senior Manager (Internal Audit, Risk and Fraud)** on **01294-324561**.

Background Papers

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