

Cunninghame House,  
Irvine.

3 November 2016

## North Ayrshire Council

You are requested to attend a Meeting of the above mentioned Committee of North Ayrshire Council to be held in the Council Chambers, Cunninghame House, Irvine on **WEDNESDAY 9 NOVEMBER 2016** at **2.00 p.m.** to consider the undernoted business.

Yours faithfully

Elma Murray

Chief Executive

**1. Apologies**

**2. Declarations of Interest**

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

**3. Previous Minutes (Page 11)**

The accuracy of the Minutes of the Meeting of Council held on 14 September 2016 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973 (copies enclosed).

**4. Provost's Report**

The Provost will report.

**5. Leader's Report**

The Leader of the Council will report.

**6. North Ayrshire Council Minute Volume (issued under separate cover)**

Submit for noting, the minutes of meetings of committees of the Council held in the period 5 August to 28 October 2016.

**7. North Ayrshire Community Planning Partnership (CPP) Board: Minutes of Meeting held on 22 September 2016 (Page 25)**

Submit report by the Chief Executive on the Minutes of the meeting of the North Ayrshire Community Planning Partnership (CPP) Board held on 22 September 2016 (copy enclosed).

**8. Questions**

In terms of Standing Order No. 12 submit:-

- (a) A question by Councillor Hunter to the Cabinet Member for Education in the following terms:-

"With respect to the Council's PPP schools contract, the term 'indexation' refers to a mechanism whereby the annual sum payable to the PPP contractor is adjusted to reflect annual changes to the Retail Price Index, (RPI). These changes are referenced to a fixed value which is the RPI value as at September 2005. The cumulative RPI trend is inexorably upward with only one very small downward value in 2009. During the course of the last full council meeting I asked for an estimate of the PPP indexation cost for the current year and was informed that it would be in the order of £250,000 for this year and also for the following two years.

Can the Cabinet Member for Education tell members what the cumulative total of indexation payments has been from contract start, up to and including the current year, and what benefit do we actually derive in return for these uplifted payments?"

- (b) A question by Councillor Hunter to the Cabinet Member for Place in the following terms:-

"In April of this year Councils across Scotland were asked to urgently carry out "any necessary checks" after the shock closure of 17 schools in Edinburgh due to concerns over the buildings' safety. The request was issued after an emergency meeting of the Scottish Government's Resilience Committee to discuss the issue. At the time Ministers said it was too early to assess the wider implications for schools elsewhere in Scotland. However Government officials issued a letter to all local authorities asking them to carry out any required checks on their own estate "as soon as possible.

Can the Cabinet Member for Place confirm that structural integrity and safety checks have been carried out on all of the Council's PPP schools estate? If so, who instructed and oversaw the checks, who carried them out, how much did it cost, who paid for them and are the findings/reports in the public domain?"

- (c) A question by Councillor Marshall to the Cabinet Member for Health and Social Care in the following terms:-

"At the Elected Members' Briefing on 18 October 2016, on the subject of "Nursing in Partnership" , it was stated on the Handout for Members on the page entitled " Health Visitors' Home Visiting Pathway" that there would be a "wellbeing review" and a " transfer from outgoing Named Person ( Health Visitor) to incoming Named Person (e.g. Education)"

Given that the Supreme Court recently ruled the "Named Person" Legislation as contrary to the European Convention on Human Rights, are wellbeing reviews still being conducted, at what stage(s) is/are information being transferred and the nature of that information?

**9. Committee Timetable 2017 (Page 35)**

Submit report by the Chief Executive on the proposed committee timetable for the period from January 2017 until the conclusion of the current Administration (copy enclosed).

**10. Safeguarding the Ardrossan to Brodick Ferry Service (Page 39)**

Submit report by the Chief Executive on the steps being taken to secure the operation of the Ardrossan to Brodick ferry service (copy enclosed).

**11. Audit Scotland : Annual Report on the 2015/16 Audit (Page 45)**

Submit report by the Executive Director (Finance and Corporate Support) on the annual audit report for 2015/16 (copy enclosed).

**12. Audit Scotland Report to Those Charged With Governance on the 2015/16 Audit - Registered Charitable Trusts (Page 93)**

Submit report by the Executive Director (Finance and Corporate Support) on matters arising from the audit of the Council's registered charitable trusts for the year to 31 March 2016 (copy enclosed).

### **13. Motions**

In terms of Standing Order 22(a), notice is hereby given of the following Motions for consideration by the Council at its next ordinary meeting:-

- (a) A motion by Councillor McPhater, seconded by Councillor Oldfather in the following terms :

"The Council calls upon the Government to make fair transitional state pension arrangements for all women born on or after 6th April 1951, who have unfairly borne the burden of the increase to the State Pension Age (SPA) with lack of appropriate notification.

Hundreds of thousands of women had significant pension changes imposed on them by the Pensions Acts of 1995 and 2011 with letter/no personal notification of the changes. Some women had only two years notice of a six-year increase to their state pension age.

Many women born in the 1950's are living in hardship. Retirement plans have been shattered with devastating consequences. Many of these women are already out of the labour market, caring for elderly relatives, providing childcare for grandchildren, or suffer discrimination in the workplace so struggle to find employment.

Women born in this decade are suffering financially. These women have worked hard, raised families and paid their tax and national insurance with the expectation that they would be financially secure when reaching 60. It is not the pension age itself that is in dispute - it is widely accepted that women and men should retire at the same time.

The issue is that the rise in the women's state pension age has been too rapid and has happened without sufficient notice being given to the women affected, leaving women with no time to make alternative arrangements.

I therefore move that Council instructs the Chief Executive to write to the Secretary of State for Works and Pension to request the Government to reconsider the transitional arrangements for women born on or after 6th April 1951, so that women do not live in hardship due to pension changes they were not told about until it was too late to make alternative arrangements."

- (b) A motion by the Leader, seconded by the Leader of the Opposition in the following terms:-

**Ardrossan to Brodick (A to B) Ferry- Shorter, Quicker and Cheaper**

We note with regret the divisive and opportunistic bid by Associated British Ports to replace the Arran to Brodick ferry by a longer, slower and more expensive one to Troon. This would have a catastrophic impact on the ongoing regeneration of Ardrossan, act as a significant drag on Arran's economic growth and provide no overall economic benefit to Ayrshire. The ripple effect across North Ayrshire should not be under-estimated. The Ardrossan to Brodick route is shorter, quicker, and cheaper and its retention is the right thing to do for the following reasons:-

- History and Cultural Ties - The Arran ferry has operated from Ardrossan since 1839 because it is shorter, quicker and cheaper. Since that date, local communities, economies and infrastructure have developed around, and are dependent upon, this ferry link. Indeed, the main reason why Arran forms part of North Ayrshire is in recognition of the ties created by this ferry-
- Ardrossan Regeneration -Recent years have seen substantial public and private investment in the Ardrossan Harbour area, including the restoration of the Shell site, the marina, Ceccini's restaurant building, residential development, Asda supermarket, the medical centre and Quayside Offices. Ardrossan harbour regeneration is key to both the marine tourism and coastal regeneration components of the Ayrshire Growth Deal and to the regeneration of North Ayrshire as a whole. Without the Arran ferry, past investment will have been wasted and future regeneration will be lost.
- The Impact on Ardrossan- While Ardrossan is the busiest passenger port in Scotland, the harbour area remains the most deprived community in Ayrshire, being the 17<sup>th</sup> most deprived SIMD datazone in Scotland. Without the ferry its chances of further regeneration are next to nil. By way of contrast, Troon is possibly the most affluent community in Ayrshire- The Arran ferry is a key driver of regeneration. To move it from an area of deprivation to one of such wealth is not something which anyone with a genuine social conscience should ever countenance.
- Impact on Arran –Importantly, the Ardrossan to Brodick ferry is shorter, quicker, cheaper and cleaner. A Troon ferry cannot serve the needs of Arran. The ferry journey is 29.km, compared to 21.2km to Ardrossan. This increases CO2 emissions, increases the journey time by 40% or 22 minutes, impacting on the frequency with which ferries can sail, changing them from 5 to 4. With fares linked through the Road Equivalent Tariff to sailing distance this can only increase fares by 40%. Let's be clear there is no evidence to demonstrate that Troon is any more reliable than Ardrossan in poor weather. Road links to Troon harbour are poorer, its town centre more congested, its train station a 2km, 15 minute walk from the harbour, its transport arrangements far

from integrated, and current ferry parking arrangements non-existent. Nor does ABP's proposed £8m investment buy much- compare this to the £28m currently being spent on improvements at Brodick. As the Arran Economic Group recently stated, islanders will suffer if the ferry moves to Troon.

- Impact on Arran Services - Severing the link between North Ayrshire mainland and Arran brings other problems, including the cut-off of the direct connection with the local authority. Many Arran services, such as care services are provided by staff who commute from the Three Towns to the island. A move to Troon is likely to result in many of these lower paid workers seeking alternative employment to avoid the long and costly journey to Troon, detrimentally impacting on services within Arran. From a Council perspective it makes it more difficult for Councillors who serve both Ardrossan and Arran to effectively engage with their constituents. It also makes it more difficult for Council staff to deliver integrated and efficient services to both mainland and island North Ayrshire
- Impact on the Ayrshire Growth Deal - The aim of the developing Ayrshire Growth Deal is to achieve economic growth throughout Ayrshire as a whole. A commitment to partnership working is essential. It cannot work with proposals which shift employment and regeneration from one authority to another, in this case, to the overall detriment of Ayrshire. Nor can there be economic growth while there is uncertainty. While retention of the Ardrossan to Arran link is key to both the marine tourism and coastal regeneration components of the Ayrshire Growth Deal, we recognise that Troon Harbour is also an important part of the Coastal corridor proposition of that Deal. North Ayrshire Council have championed investment in Troon to support an increase in cruise business. We regret that South Ayrshire Council have chosen to support ABP's divisive bid, but this Council still remains committed to a strategic Ayrshire-wide approach to sustainable growth and regeneration.

I therefore move that Council

- (a) notes with regret the divisive and opportunistic bid by Associated British Ports to remove the Ardrossan to Brodick ferry to Troon;
- (b) supports the retention of the Ardrossan to Brodick route as the shorter, quicker and cheaper route;
- (c) agrees to work with the communities of Ardrossan and Arran, the current operators, Peelport, and the Scottish Government to take all necessary steps to retain this lifeline service;
- (d) notes the excellent progress being made through joint work with PeelPort;
- (e) welcomes the support of the Arran Economic Group and seeks full island proofing of the respective options;

- (f) seeks agreement from other partners that a key principle of the Ayrshire Growth Deal must be that partners will not do anything which undermines or harms other parts of the Deal; and
  - (g) requests a joint meeting with the Minister for Transport and the Islands, or the First Minister, at an early date to discuss both the importance of the Arran ferry remaining in Ardrossan, and the economic impact and local uncertainty that the current Scottish Government approach is fuelling.
- (c) A motion by Councillor Gurney, seconded by Councillor McMillan in the following terms:-

"The Scottish Government have pledged to build 50,000 new homes over the term, an aim that the previous administration wholeheartedly supported.

Central to this ambition is the support given by our Registered Social Landlords partners, something that is threatened by the decision of the Office for National Statistics to reclassify Registered Social Landlords as public bodies in the national accounts. If this reclassification stands all developments by Registered Social Landlords would count against Government expenditure, greatly endangering the building programme.

Accordingly, this Council instructs the chief executive to write to the Housing minister expressing our support for the pledge to build 50,000 new homes, reassuring him of our determination to be a proud partner in that aim and assuring him of our support in his efforts to change the Housing Amendment (Scotland) Bill to reclassify Registered Social Landlords spending back to the private sector."

### **13. Urgent Items**

Any other items which the Provost considers to be urgent.





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## North Ayrshire Council

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### Sederunt:

Ian Clarkson (Provost)  
Robert Barr (Depute Provost)  
John Bell  
Matthew Brown  
John Bruce  
Marie Burns  
Joe Cullinane  
Anthea Dickson  
John Easdale  
John Ferguson  
Alex Gallagher  
Willie Gibson  
Tony Gurney  
Jean Highgate  
Alan Hill  
John Hunter  
Elizabeth McLardy  
Grace McLean  
Catherine McMillan  
Peter McNamara  
Ronnie McNicol  
Louise McPhater  
Tom Marshall  
Jim Montgomerie  
Alan Munro  
David O'Neill  
Irene Oldfather  
Donald Reid  
Robert Steel  
Joan Sturgeon

### Attending:

### Apologies:

### Meeting Ended:



North Ayrshire Council  
14 September 2016

**IRVINE, 14 September 2016** - At a Meeting of North Ayrshire Council at 2.00 p.m.

**Present**

Ian Clarkson, Robert Barr, John Bell, Matthew Brown, John Bruce, Marie Burns, Joe Cullinane, Anthea Dickson, John Easdale, John Ferguson, Alex Gallagher, Willie Gibson, Tony Gurney, Jean Highgate, Alan Hill, John Hunter, Catherine McMillan, Peter McNamara, Louise McPhater, Tom Marshall, Jim Montgomerie, Alan Munro, Irene Oldfather, David O'Neill, Donald Reid, Robert Steel and Joan Sturgeon.

**In Attendance**

E. Murray, Chief Executive; L. Friel, Executive Director (Finance and Corporate Support); J. Butcher, Executive Director (Education and Youth Employment); C. Hatton, Executive Director (Place); K. Yeomans, Executive Director (Economy and Communities); T. Bowers, Head of Service (Mental Health) (Health and Social Care Partnership); A. Fraser, Head of Democratic Support, C. Andrew, Senior Manager (Legal Services), M. Gilmour, Senior Communications Officer and A. Beveridge, Communications Support Officer (Media and Internal Communications), and M. Anderson, Committee Services Team Leader (Chief Executive's Service).

**Chair**

Provost Clarkson

**Apologies for Absence**

Elizabeth McLardy, Grace McLean and Ronnie McNicol.

**1. Past Provost Medal**

The Provost presented a Provost Medal to Past Provost, Councillor Joan Sturgeon, in recognition of her service as Provost of the Council.

In accepting the Provost Medal, Councillor Sturgeon spoke of the honour and privilege of serving in the role and expressed her thanks to all, particularly to Council staff, for helping to raise some £120,000 in aid of charitable causes during her tenure. She concluded by offering her best wishes to Councillor Clarkson as her successor.

**2. Provost's Remarks**

The Provost advised of his intention to allow consideration of an item of urgent business in terms of Agenda Item 13 (Urgent Items).

**3. Apologies**

The Provost invited intimation of apologies for absence, which were recorded.

#### **4. Declarations of Interest**

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

There were no declarations of the Party Whip.

#### **5. Previous Minutes**

The Chief Executive advised that the Minutes of the Special Meeting of the Council held on 30 August 2016 contained within the Agenda had been amended from the version previously circulated, to address the omission at paragraph 9 of Item 9(a) Motions of the agreed appointment to the Economic Development and Regeneration Board.

Thereafter, the accuracy of the Minutes of (i) the Ordinary Meeting of Council held on 15 June, (ii) the Special Council (Planning) (Pre-Determination Hearings) held on 8 August, (iii) the Special Council (Planning) (Determination) held on 8 August and (iv) the Special Meeting of Council held on 30 August 2016, was confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

#### **6. Provost's Report**

The Provost, having expressed his gratitude at being appointed to the role and his appreciation of the work undertaken by former Provost, Councillor Joan Sturgeon, assured Members of his commitment to represent North Ayrshire to the best of his ability and, thereafter, reported on the following matters:-

- his intention to continue to support charitable causes, but also to seek to strengthen links within our community, particularly by visiting schools and early learning centres, as well as sheltered housing units and day care centres;
- a recent visit to Irvine's twin town of Voisins, France, and the opportunities presented to unlock partnership potential between the two towns;
- meeting pupils at Beith Primary School during a visit by Beith Juniors Football Club, which won the Scottish Junior Cup;
- Saltcoats War Memorial, which came joint first in the Royal British Legion's 'Best Kept War Memorial' award, and the work of the Council's Streetscene service in keeping the memorial in such good condition;
- congratulations to the staff and Members involved in making Largs Viking Festival a great success this year; and
- ongoing work taking place in the Fullarton area, with the previous community centre now having been demolished and the new Fullarton Hub soon to breathe new life into the area.

## **7. The Leader's Report**

The Leader of the Council, having formally welcomed the newly elected Councillor for Irvine West, Louise McPhater, reported on the following matters:-

- the priority of the new Labour Administration to reduce inequality, an aim supported by the delivery of tribunal representation by the Money Matters team;
- recent senior prize giving ceremonies at Greenwood, Irvine Royal and Kilwinning Academies;
- attendance at a meeting of the Ayrshire Economic Meeting on 7 September 2016, which focused on the Ayrshire Growth Deal and the collaborative work being undertaken by the three Ayrshire Authorities on a strategic regional level;
- a meeting of the COSLA Resources and Capacity Executive Group held on 8 September 2016, which included discussion on the Scottish Government's Consultation Paper on the future of Social Security in Scotland;
- a recent letter to Scottish Government Ministers to state the Council's interest in having the Scottish Government's new Scottish Benefits Agency based in North Ayrshire; and
- congratulations to the Council staff who were finalists in several categories of this year's APSE awards and for being winners in the category of 'Best Innovation or Demand Management Initiative'.

## **8. North Ayrshire Council Minute Volume**

Submitted for noting and approval of any recommendations contained therein, the Minutes of meetings of committees of the Council held in the period 16 June to 31 August 2016.

## **9. Questions**

In terms of Standing Order No. 12 there were submitted:-

- (a) a question by Councillor Gurney to the Cabinet Member for Place in the following terms:-

"Would the Member care to reaffirm this Council's regard for the work done by our partner housing associations and assure the chamber that this productive partnership will be fully supported by the new administration?"

Councillor Montgomerie thanked the Member for his question and responded in the following terms:-

"North Ayrshire Council, as the Strategic Housing Authority, has strong working relationships in place with our local Registered Social Landlords (RSLs) and appreciates the contribution our partners make in ensuring all of our residents have safe, warm and affordable homes.

I can confirm that this Administration is fully committed to continuing to work with our RSL partners, particularly as we develop the new Local Housing Strategy and Strategic Housing Investment Plan, and address the implications of the Housing Scotland Act 2014 over the coming year."

As a supplementary question, Councillor Gurney asked whether, given the close partnership between the Council and the RSLs, if the Cabinet Member could advise how he regards the possible recategorisation by the Office for National Statistics (ONS) of the RSLs following the English model, give his view of the potential ramifications were this to take place, and indicate how he intended to address the issue, giving particular attention to the Council's partnership with the Scottish Government and the numerous legislative and financial issues surrounding the potential approaches.

Councillor Montgomerie responded by indicating that the new Administration wished to be even bolder in terms of Council housing than the Opposition and was engaging with officers to refresh the Council's Housing Strategy over the coming months.

(b) a question by Councillor Gurney to the Cabinet Member for Place in the following terms:-

"Would the Administration care to confirm that they will continue to hold regular Physical Environment Advisory Board meetings?"

Councillor Montgomerie thanked the Member for his question and responded in the affirmative.

As a supplementary question, Councillor Gurney asked whether, given Councillor Montgomerie's record of attending just one meeting out of a total of nine over the last two years and submitting formal apologies for just two of the meetings not attended, the Cabinet Member intended to be a more regular attendee of the Advisory Panel in future.

Councillor Montgomerie responded by expressing the view that the Elected Member's own attendance was now technically 100% negative given his resignation from his former role.

(c) a question by Councillor Marshall to the Cabinet Member for Education and Youth Employment in the following terms:-

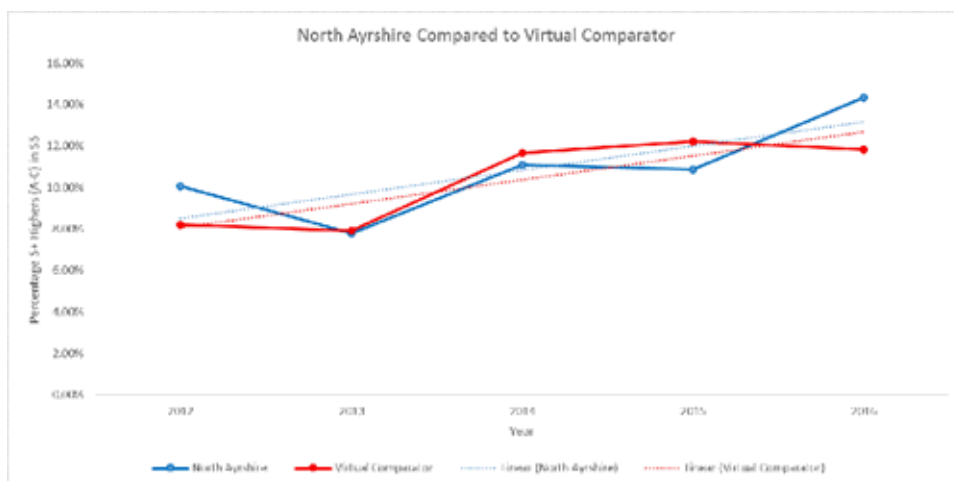
"Noting that the Gold Standard for a pupil is the achievement of 5 or more Higher passes would you please list for each Secondary School in North Ayrshire for each of the past 5 years the percentage of Fifth Year pupils achieving 5 or more Higher passes at grades A-C and comment on any trends?"

Councillor Bell thanked the Member for his question and responded in the following terms:-

"As requested, the percentages of S5 pupils gaining 5 or more Highers at A-C over the last 5 years are listed in the table below. The source of this data is the Senior Phase Benchmarking Tool, "Insight" (released on Friday 9 September). The following graph shows that the trendline for North Ayrshire is a positive one. It should also be noted that in 2016 our figure for 5+ Highers in S5 is our highest yet. When compared with our Virtual Comparator of young people with similar needs and socio-economic factors from other areas of Scotland (see graph), North Ayrshire is also performing better than this group.

**SQA Higher Awards at A - C (INSIGHT)**  
2012-2016  
S5

	% Achieved A-C passes in 5 or more Highers in S5									
	North Ayrshire	Androsan Academy	Arran High School	Auchenharvie Academy	Garnock Academy	Greenwood Academy	Inverclyde Royal Academy	Kilwinning Academy	Largs Academy	St. Matthew's Academy
2012	10.06%	11.67%	18.52%	6.77%	4.49%	6.93%	3.60%	8.21%	23.35%	11.11%
2013	7.80%	6.04%	7.69%	3.59%	4.00%	6.98%	3.70%	7.56%	19.49%	8.71%
2014	11.10%	11.61%	10.91%	3.01%	8.96%	9.82%	4.88%	11.39%	25.71%	8.79%
2015	10.86%	8.13%	12.28%	2.46%	13.47%	8.16%	5.50%	7.53%	23.71%	11.95%
2016	14.35%	9.64%	15.00%	10.34%	11.05%	12.41%	5.66%	15.89%	31.09%	13.53%



It is important to note that this is only one indicator of attainment and achievement for our young people. Our attainment levels have also consistently improved in almost all measures in S5, including a rise in those achieving at least one Higher in S5 from 40.77% in 2012 to 52.11% in 2016. Similarly, those young people achieving at least three Highers in S5 has risen from 22.69% in 2012 to 32.22% in 2016.

Our Senior Phase curriculum increasingly focuses on providing opportunities for our young people to achieve at a range of levels from S4-S6, depending on their individual needs. We have been very conscious to ensure that a broadening of options within the senior phase does not happen at the expense of Higher attainment, but rather that it complements it. These figures reflect the fact that our curriculum is increasingly meeting the needs of a larger number of our young people than ever before, while demonstrating that the achievement of our most able young people also continues to increase.

We do not necessarily agree that “the gold standard for a pupil is the achievement of five or more Higher passes”. Our vision in Education and Youth Employment is to contribute to building brighter futures for our young people and encouraging them to excel at the level which is right for them at the time which is right for them. We are increasingly supporting a broader range of qualifications in the Senior Phase than the more “traditional” Higher options. This could result in a range of qualifications at different levels (including National 4&5, Highers, Advanced Highers, Foundation Apprenticeships, National Certificates etc). We would consider any combination of this range of qualifications to be equally valid indicators of success for a young person."

As a supplementary question, Councillor Marshall welcomed the improving trend and asked if the Cabinet Member felt the Scottish Government's desire to give schools more autonomy was likely to be positive, or if he was concerned at the potentially negative effect of the introduction of education regions.

Councillor Bell expressed concern about a move to regional education boards, expressing the view that other examples of joint boards had neither saved money or proved to be more efficient, and that local authorities were best placed to administer education services.

(d) a question by Councillor Hill to the Leader of the Council in the following terms:-

"Does the Leader of the Council believe that money used to support health and social care is 'lost' ?"

Councillor Cullinane thanked the Member for his question and responded in the negative.

As a supplementary question, Councillor Hill asked whether it was the Administration's intention to seek to recover monies from the Health and Social Care Partnership.

Councillor Cullinane advised that there was no intention to seek to recover the funds and expressed doubt as to whether there was, in any event, a mechanism to recover capital funding. Councillor Cullinane referred to meetings which had taken place with officers over the past few weeks and which he anticipated would produce good news in respect of school improvement works.



(e) a question by Councillor Marshall to the Cabinet Member for Health and Social Care in the following terms:-

"The United Kingdom Supreme Court found on 28 July 2016 that the sharing of Private information in Part 4 of the Children' and Young People (Scotland)Act 2104 (Named Persons) to be incompatible with the right to a private and family life, in terms of article 8 of the European Convention on Human Rights, and therefore " not within the competence of the Scottish Parliament.

At present what categories of data are held by North Ayrshire Council on children and young persons and with whom is this shared?"

Councillor McNamara thanked the Member for his question and responded in the following terms:-

"At present, within Education and Youth employment hold information on all of our children and young people, some of which we consider to be **sensitive and some non-sensitive**.

### **Non Sensitive**

We hold a good deal of non-sensitive data (i.e. Demographics, name address and contacts) within our **SEEMIS** system. This system is used to record attendance, tracking and monitoring of achievement and attainment and **SQA** data as appropriate. This information is not shared with others outwith the establishment. The **SEEMIS** system is double password protected and secure.

Within **SEEMIS**, we also hold data relating to the **CHILD'S plan**. We have a statutory obligation to plan appropriately for pupils where an additional support need has been identified. Within the information held (known as the **WELLBEING APPLICATION**), there would be an assessment of wellbeing (conducted by the Head teacher in a primary school or member of the pastoral care team in secondary establishments ) and a plan of appropriate support. The Wellbeing assessment is conducted using the **SHANARRI** indicators (Safe/Healthy/Active/Nurtured/Achieving/Respected/Responsible / Included).

and is completed in **partnership with the parents and with the child's views considered**. This is not, as a matter of course, shared with others without the consent of the parents. These assessments and plan may form part of the information used at review meetings and planning with teams around the child.

Additionally **non sensitive** information may be shared on a "need to know" basis" upon consent from parents with:-

- the team around the child
- the voluntary sector if appropriate,
- the Reporter.

## **Sensitive**

**Sensitive data** on Children and young people is held within schools, also within **SEEMIS**. This includes:-

- information on Looked after and accommodated children
- information about children on the child protection register
- medical information
- other personal and sensitive information pertinent to a child for whom we have concerns

Other information concerning referrals to the reporter, notes from multiagency meetings and information held within the child's plan is also held in schools. This is shared with social services and other agencies (i.e. police) when children and potentially at risk or harm (Child protection) but may also be shared, by agreement and as appropriate, through **AYRSHARE** with the Health and Social care partnership. This system is confidential and password protected and anyone who is not connected to a child, and not a named contact **CANNOT SEE INFORMATION PERTAINING TO A CHILD NOT KNOWN TO THEM**. Permissions are very tight and the system robust.

## **Psychological services**

Sensitive Information on a small number of Young People is held and shared with a few relevant professionals, to support decision making of the authority Inclusion Group. This is decision making forum held jointly with social work. Schools send paperwork securely.

The psychological service holds files for all young people (roughly 800) it is currently working with. The service only works directly with families when parents have given consent. Parents can, and do request access to the files. This are held securely in Cunninghame House and access is limited to the service and Head of Service."

As a supplementary question, Councillor Marshall asked whether the Cabinet Member was confident that the Council held and shared data secured and in accordance with the requirements of the Data Protection Act, and that all parents were aware of the data held.

Councillor McNamara responded by indicating that these matters had been addressed by the Audit Committee and that parents could be safe in the knowledge that the Council would not share data without the consent of the child/parent.

(f) a question by Councillor Burns to the Cabinet Member for Economy in the following terms:-

"Can the portfolio holder reassure members that the work carried out by the previous administration in developing an Ayrshire Growth Deal bid will continue to be a priority and can he set out how this will be progressed?"

Councillor Gallagher thanked the Member for her question and responded in the following terms:-

"The work and plans associated with the Ayrshire Growth Deal (AGD) will continue to be a priority for the new administration. A report will be presented to Cabinet in September to seek approval of the Strategic Business Case that is to be submitted to government in early October. This will be the first opportunity that the new Cabinet has had to consider the AGD programme proposals.

In addition, the Council Leader has attended a recent Ayrshire Economic Partnership meeting and provided his support for the work underway to develop the deal. He will shortly be meeting with the Scottish Government Minister and making the case for Ayrshire. I look forward to shaping this important work as the new portfolio lead with the Leader and my cabinet colleagues."

As a supplementary question, Councillor Burns asked whether, in light of the importance of securing the Scottish Government's support for the AGD bid, the Cabinet Member would now consider a more measured and mature approach to working with the Scottish Government than that suggested by his recent social media statements.

Councillor Gallagher responded by stating that he did not recognise this portrait of himself.

## **10. Appointments to Committees and Outside Bodies**

The Council considered nominations received in respect of committees and outside body vacancies.

The Council agreed (a) to appoint (i) Councillors O'Neill, Munro, Easdale, Hill, McMillan and Marshall to the Audit and Scrutiny Committee, (ii) Councillor Steel to the Licensing Committee and Licensing Board, (iii) Councillor Burns as a main representative on the Staffing and Recruitment Committee, with Councillor Hill serving as her named substitute; (iv) Councillor McNamara as Councillor Cullinane's named substitute on the Staffing and Recruitment Committee, (v) Councillor Reid as Councillor Cullinane's replacement on North Ayrshire CCTV Limited, and (vi) Councillor McPhater as Councillor Cullinane's replacement on the North Ayrshire Violence Against Women Forum; and (b) that, as a consequence of (a)(iii) above, the Scheme of Administration be amended to reflect that Main Opposition appointments to the Staffing and Recruitment Committee can consist of its Leader and another Member of the Opposition, rather than the Opposition's Leader and Depute Leader.

## **11. Financial Outlook and Medium Term Financial Planning**

Submitted report by the Executive Director (Finance and Corporate Support) on the current assessment of the medium term financial outlook and the potential funding gap for 2017/18 to 2019/20.

This report outlined the issues and plans to support the Council in developing its next medium term financial plan, including the state of the economy and likely effect on public sector funding, the anticipated timing of the Financial Statement, changes to Council Tax from 1 April 2017, financial risk being faced by the Council, the financial implications of the budget decisions taken in February 2016, and an update of the development of the long term financial strategy and Transformation 2.

Members asked questions, and received clarification, on the following:-

- the estimated cost of PPP indexation and whether new schools built under NPD would also be subject to indexation;
- the potential Council Tax increase referred to within the report and whether the Council was obliged to implement an increase;
- the suggestion within a recent Fraser of Allander Institute report that there would be ongoing cuts in funding between now and 2020, compared with the assumptions set out at Section 2.8.5 of the report;
- whether the teacher/pupil ratio had been achieved under the previous Administration and the penalty for any shortfall;
- whether reference was being made to overall teacher numbers or the teacher/pupil ratio; and
- the likelihood of more Council Tax payment defaults in the light of potentially significant increases in charges for Council Tax Bands E-H, and the availability of support for those householders without the means to pay.

The Council agreed to note (i) the current factors affecting future funding levels, (ii) the likely timing of the Financial Settlement, (iii) the potential funding gap for the Council over the period 2017/18 to 2019/20, (iv) the approach to updating the current capital investment programme, (v) that this information will form the basis of discussion with all political groups, (vi) the approach to community engagement and (vii) timescales for further reports to the Cabinet/Council.

## **12. Committee Timetable - September to December 2016**

Submitted report by the Chief Executive on a revised committee timetable for the remainder of 2016 following the creation of Audit and Scrutiny Committee. The revised timetable was set out at Appendix 1 to the report.

Members asked a question, and received clarification, on a change to the start time of two meetings (a meeting of the Cabinet and a Cabinet Pre-Agenda meeting) since the issue of the proposed timetable.

The Council agreed to approve the revised timetable set out at Appendix 1 to the report, subject to an amendment to reflect a change to the start time of the meetings referred to above.

### **13. Motions**

- (a) a motion by Councillor Gibson, seconded by Councillor Hill in the following terms:-

"The previous SNP Administration worked with the Chief Executive to have live broadcasting facilities installed in our new Council Chamber.

As SNP Councillors we have always held a strong belief that the people who voted for us should have the ability to see what we do in carrying out our duties in representing them and in this regard members of the public can already attend Council and Cabinet Meetings.

However, given that we now have the ability to stream live internet broadcasting from this Chamber, the SNP Group can see no reason why anyone would deny members of the Public, many of whom may have difficulties in attending daytime meetings in Irvine, the opportunity to view our meetings.

We are elected to serve the public and therefore should not fear public scrutiny. We also believe that the broadcasting of meetings should be adopted as a principled approach rather than offered on a piecemeal basis as proposed at the last meeting of the Full Council.

North Ayrshire Council supports the building of open and visible democracy in Local Government and in doing so supports the expansion of public interest which in turn will serve dispel the fear of public scrutiny.

North Ayrshire Council therefore resolves to commence the live internet broadcasting of all Public Political Meetings from this Chamber and instructs Offices to deliver this as soon as possible."

As an amendment, Councillor Cullinane, seconded by Councillor Bell, moved as follows:-

"North Ayrshire Council agrees that meetings of Council and its Committees should be as open and transparent as possible. It is important that our communities know about the services we deliver, and the challenges we face. This supports Communities to have a meaningful role in the setting of Council priorities and the way that services are delivered. That is why agenda item 10 introduces new proposals for community engagement on the budget, with the aim in the medium term to have full consultation with residents and partners.

Webcasting of meetings supports such open and transparent meetings and is particularly helpful for press colleagues. As the motion recognises, it is important that webcasting is done in a principled manner, not on a piecemeal approach. It is not simply a matter of turning the cameras on, leaving hours of unstructured data which cannot be searched. As Council is already aware, webcasting costs £23,500 per year.

When setting the budget on 17 February 2016, Council unanimously agreed to prioritise public toilets over webcasting. Accordingly there is no budget currently available to immediately introduce webcasting.

Webcasting of Council meetings is still important. Therefore Council agrees that a revenue growth item for webcasting costs should again be included in the 2017/18 budget papers. This will enable Members to fully consider webcasting against all the other budget pressures and options."

As a further amendment, Councillor Steel, seconded by Council Marshall, moved that the Council support live coverage of Council meetings, with the funding for webcasting considered as part of the normal budget setting process, and that, in the meantime, the press be permitted to film proceedings of the Council and its committees, should they so wish.

On a point of order, Councillor Gallagher queried the competence of the motion given that it failed to quantify the cost of webcasting or a funding source to meet that cost. The Head of Democratic Services confirmed that, subject to the Executive Director (Finance and Corporate Support) advising on budget availability or, failing which, the mover of the motion identifying funding, the motion was competent. The Executive Director (Finance and Corporate Support) advised that there was no recurring course of funding, and that this would require to be identified. Councillor Gibson proposed that funding for 2016/17 be found from reserves and, thereafter, be included as a budget growth items in the 2017/18 budget.

On a further point of order, Councillor Hill requested, and received, clarification that Administration's amendment represented a commitment to webcasting.

Members then asked questions of officers and of the movers of the motion and amendments.

The Provost then agreed to adjourn the meeting for a period of 10 minutes to allow Members to consider the motion and amendments. The meeting reconvened at 3.40 p.m. with the same Members and officers present and in attendance.

Councillor Steel advised that he wished to withdraw his motion.

Thereafter, the Chief Executive advised that Councillors Gibson and Cullinane had intimated withdrawal of their motion and amendment, respectively, in favour of a revised motion, proposed by Councillor Gibson and seconded by Councillor Cullinane, that, in view of the Council's overwhelming wish to implement webcasting, it agree on a one-off basis to fund the implementation of webcasting as soon as practicable for the remainder of the current financial year from in-year underspend, with a base budget adjustment for funding future years' costs.

The Council agreed to approve the terms of the revised motion.

Councillor Highgate left the meeting prior to consideration of the following item.

- (b) a motion by Councillor Gibson, seconded by Councillor Hill in the following terms:-

"Hazeldene Horticulture has been an enormous success story within North Ayrshire providing training and supported employment opportunities to local people for a number of years. The previous SNP Administration saved it from closure and established a new working relationship with Cunninghame Housing Association with the creation of a new Public Social Partnership to take the business forward

Council instructs officers to bring a report to the next meeting of North Ayrshire Council confirming the arrangements that are in place with our partners to sustain this business together with confirmation that the necessary funding has been provided to Cunninghame Housing Association to enable them to continue with this successful and much needed initiative."

As an amendment, Councillor Cullinane, seconded by Councillor Bell, moved as follows:-

"Hazeldene Horticulture has been an enormous success story within North Ayrshire, providing training and supported employment opportunities to local people for a number of years, supported by the Kilwinning ward members and the previous Leader of the Council.

Council acknowledges that Enable Scotland withdrew the service in March 2016 and praises the work of Council officers in supporting the staff into alternative employment.

Furthermore, we note the work undertaken by officers, again supported by the ward members and the previous Leader of the Council, to establish a new Public Social Partnership model for the service in partnership with Cunninghame Housing Association.

Council instructs officers to bring a report to a future meeting of the Cabinet, confirming the arrangements that are in place with our partners to sustain this business, together with confirmation that the necessary funding has been provided to enable the continuation of this successful and much needed initiative."

Councillor Gibson asked whether Councillor Cullinane and Bell would be prepared to remove the reference to Kilwinning Ward Members and the previous Leader of the Council in paragraphs one and three of the amendment. Councillors Cullinane and Bell so agreed and Councillor Gibson then agreed to accept the terms of the amendment, which was approved by the Council.

## **14. Urgent Item**

The Provost agreed that the undernoted be considered as an urgent item to allow Members to receive an update on the outcome of the Local Government Boundary Commission for Scotland's fifth review of ward boundaries.

### **14.1 Outcome of Local Government Boundary Commission for Scotland – Fifth Review of Electoral Arrangements Determining Councillor Numbers**

The Chief Executive advised that Scottish Ministers had approved all but five of the changes to Local Government ward boundaries recommended by the Local Government Boundary Commission for Scotland, resulting in changes to 25 out of 32 Council areas in Scotland, including North Ayrshire. Given the existing commitment to an Islands Bill this Parliamentary year, Ministers did not accept recommendations to make changes to the three island authorities.

The changes for North Ayrshire Council will result in a total of 33 Elected Members over 10 Wards, as follows-

Ward 1 (Irvine West) - 4 Members  
Ward 2 (Irvine East) - 3 Members  
Ward 3 (Kilwinning) - 4 Members  
Ward 4 (Stevenston) - 3 Members  
Ward 5 (Ardrossan and Arran) - 3 Members  
Ward 6 (Dalry and West Kilbride) - 3 Members  
Ward 7 (Kilbirnie and Beith) - 3 Members  
Ward 8 (North Coast and Cumbraes) - 4 Members  
Ward 9 (Saltcoats) - 3 Members  
Ward 10 (Irvine South) - 3 Members

The Irvine wards referred to above align closely with the Irvine Locality Partnership area, as does the Kilwinning ward with regard to its Locality Partnership. However, the remaining wards differ from their respective Locality Partnership areas.

The Chief Executive undertook to provide a more detailed briefing to Members in due course.

Noted.

The meeting ended at 3.55 p.m.



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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 7**

**9 November 2016**

**North Ayrshire Council**

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**Title:** **North Ayrshire Council Community Planning Partnership (CPP) Board: Minutes of meetings held on 24 March 2016 and 22 September 2016**

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**Purpose:** To submit the minutes of the meeting of the North Ayrshire Community Planning Partnership Board held on 22 September 2016

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**Recommendation:** That the Council notes the Minutes contained in Appendix 1

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#### **1. Executive Summary**

- 1.1 It was previously agreed that the minutes of the Community Planning Partnership (CPP) Board be submitted to North Ayrshire Council for information. The key matters arising from the minutes have been highlighted for the attention of the Committee and are detailed in paragraph 2.1.

#### **2. Background**

- 2.1 Minutes of the meeting of the CPP Board held on 22 September 2016 are appended. Particular matters for the Council's attention include the following:

##### **Agenda Item 4**

The Board received a presentation from Courtney Gemmell MSYP on mental health issues amongst young people and partners' agreed ways of supporting this work.

##### **Agenda Item 6**

The Board was updated on mental health services in North Ayrshire by Thelma Bowers of the North Ayrshire Health and Social Care Partnership.

##### **Agenda Item 7**

Bruce Kiloh of SPT presented the SPT Transport Outcomes Report and provided information on local public transport investment and developments.

Agenda Item 8

The Board received a presentation from partners involved in Positive Steps with Partners outlining the successful volunteering initiative led by Scottish Fire and Rescue Service and The Ayrshire Community Trust.

Agenda Item 9

The Board noted progress in relation to Fair for All, the CPP's strategy to promote equality.

### 3. Proposals

- 3.1 That the Council notes the minutes contained in Appendix 1

### 4. Implications

<b>Financial:</b>	There are no financial implications arising from this report.
<b>Human Resources:</b>	There are no human resource implications arising from this report.
<b>Legal:</b>	There are no legal implications arising from this report.
<b>Equality:</b>	There are no equality implications arising from this report.
<b>Environmental &amp; Sustainability:</b>	There are no environmental implications arising from this report.
<b>Key Priorities:</b>	The CPP activities detailed within this report support the Single Outcome Agreement.
<b>Community Benefits:</b>	There are no community benefit implications arising from this report.

**5. Consultation**

5.1 No consultations were required.

A handwritten signature in black ink that reads "Elma Murray". The signature is written in a cursive, flowing style.

ELMA MURRAY  
Chief Executive

Reference : MR

For further information please contact Morna Rae on 01294 324177.

**Background Papers**

None





**North Ayrshire Community Planning Partnership**

**CPP Board**

**Minutes of Meeting Held 22<sup>nd</sup> September 2016**

**Present**

**Ayrshire College**

Heather Dunk, Principal

**Jobcentre Plus**

Lynn Hammell, Operations Manager

**KA Leisure**

Ashley Pringle, Board Member

**NHS Ayrshire and Arran**

Martin Cheyne, Chairman (Vice Chair)

Lynne McNiven , Consultant in Public Health

Hazel Borland, Executive Nurse Director

**North Ayrshire Council**

Cllr Joe Cullinane (Chair)

Cllr Robert Steel

Cllr Catherine McMillan

Cllr John Bruce

Cllr Marie Burns

Elma Murray, Chief Executive

**Police Scotland**

Tim Ross, Director of Community Safety

**Scottish Enterprise**

Mark Newlands, Location Director

**Scottish Fire and Rescue Services**

Kenny Hankinson, Group Manager

**Scottish Government**

Steven Cullum, Policy Officer

**Skills Development Scotland**

Katie Hutton, Depute Director

**In Attendance**

Morna Rae (NAC), Iona Colvin (HSCP), Thelma Bowers (HSCP), Bruce Kiloh (SPT), Samantha Alexander (NAC), John Butcher (NAC), Courtney Gemmell (NAC), Cllr Donald Reid (NAC), Audrey Sutton (NAC), Donna Anderson (NAC), Cheryl Newall (TACT), Albert Bruce (SFRS)

**Apologies for Absence**

Jim Nichols (TSI), Jim Scott (SFRS), Councillor McNamara (NAC), Stephen Gallagher (SG), Karen Yeomans (NAC), Catriona Morton (DWP), Garry Higgons (KA Leisure), John Burns (NHS A+A)

**Chair**

Cllr Joe Cullinane

**1. Welcome and Apologies**

The Chair welcomed everyone to the meeting and apologies were noted.

## **2. Minutes of the Previous Meeting**

The minutes of the previous meeting were approved.

## **3. Action Note**

Updates on the Action Note were presented as follows:

- Chair of Integration Joint Board to be added as member of CPP Board - action complete
- Ayrshire College representatives to link with Welfare Reform Group – action complete
- DWP to be invited to Welfare Reform Group – action complete
- Indicators for road safety to be broken down for adults and children – agreed that this would be implemented from the next SNAP Chair's report

## **4. Mental Health Issues Amongst Young People**

Courtney Gemmell (MSYP) gave a presentation on research conducted with young people on mental health, the findings and proposed next steps.

403 young people were asked questions such as who would they go to for mental health advice within and outwith school or college, how do schools/colleges promote positive mental health and what barriers are there to getting help with mental health issues. Young people surveyed and MSYPs identified key recommendations including staff training, more clubs/support groups available at lunch or after school, and PSE Curriculum should include mental health awareness and where to go for help.

Further detail was given on the Mental Health Tool Kit that is being developed. This will be used within secondary schools, Children's Units and youth community groups, with a launch date of February 2017.

Partners thanked Courtney for her presentation and sharing her personal experience with the Board.

Heather Dunk advised of the campaign Ayrshire College are currently running - #mymentalhealthmatters . The benefits of current partnership posts within the college were noted (i.e. the Police Scotland and NHS posts) as was the new joint post focusing on mental health. It was agreed that the college would link in with the development and delivery of the Mental Health Toolkits.

Other partners also noted the relevance to their work and offered support, including Katie Hutton on behalf of Skills Development Scotland, Lynn Hammell for JobCentre Plus, and Lynne McNiven on behalf of NHS Ayrshire and Arran.

Iona Colvin spoke about issue of stigma in relation to mental health issues, and suggested a CPP campaign across Ayrshire.

John Butcher acknowledged the challenges for teaching staff in having skills to deal with young people's mental health issues and outlined the work ongoing to support this.

## **5. Support for Young People in Relation to Mental Health**

Elma Murray presented a report which outlined North Ayrshire Council support for young people in relation to mental health issues. The value of Pupil Voice was noted.

Audrey Sutton explained that a working group was set up following Courtney presenting to the Strategic Management Team. The importance of a "protected space" with an appropriate staff member for young people in schools was acknowledged, and a pilot is taking place in the Garnock Valley. It was hoped that this could be extended to other schools, following a funding bid to the Scottish Government. John Butcher advised that he had recently been informed that the government suggested targeting this funding to correspond to deprivation as identified through the Scottish Index of Multiple Deprivation. It was agreed that the scope of the funding would be further discussed by John Butcher with the Scottish Government, in conjunction with Stephen Gallagher.

## **6. Mental Health Services Update**

Thelma Bowers provided a presentation updating on Mental Health Services. An overview of the three year change programme was given and particular highlights noted, including the integration of Addictions Services and Woodland View. The increased demand for Mental Health Services was highlighted. A breakdown on referrals to Child and Adolescent Mental Health Services was also given.

Cllr Cullinane noted the importance of community organisations knowing how to signpost or refer individuals, as they may present to them with mental health problems.

The Chair thanked Thelma for her presentation and it was agreed that it would be circulated by email.

## **7. SPT Transport Outcomes Report**

Bruce Kiloh presented the North Ayrshire Transport Outcome report. He highlighted the joint workstreams and local investments and services.

Cllr Cullinane asked for further information on local bus services, and the challenges of the current market. Bruce described the model for local operators and the work of the Strathclyde Bus Alliance.

Lynne McNiven commented on the MyBus usage analysis, noting that residents from the least deprived areas appear to use the service more and that a small percentage use it for travelling to access medical services. The work of SPT to promote MyBus, including online booking was explained.



Iona Colvin highlighted a working group including SPT, local Councils and NHS Ayrshire and Arran who are holding a workshop in October to consider local issues. It was agreed that feedback would be provided to the Board.

The Chair thanked Bruce for the information provided.

#### **8. Positive Steps with Partners**

Cheryl Newall and Albert Bruce attended with two volunteers to brief the Board on Positive Steps with Partners. This provides opportunities for volunteers to work with Scottish Fire and Rescue Services, supported by The Ayrshire Community Trust and it is aimed at those who have barriers to employment. The programme is flexible and adapts to each individual's personal needs. The volunteers explained how they have benefited from participation in a range of ways including new experiences and skills, increased confidence and qualifications.

The Board commended the success of Positive Steps with Partners.

#### **9. Fair for All**

Elma Murray presented a report on Fair for All, the CPP's Inequalities Strategy. This included the structures to support its delivery and the work to refine pledges and measures.

The Board gave its support to this approach.

#### **10. Locality Partnerships Update**

Morna Rae gave a verbal update on progress in relation to Locality Partnerships. It was noted that there was a good level of interest for community representative roles. Community representatives have been chosen and the first set of meetings have taken place. At these meetings there was a reminder of the purpose of Locality Partnerships, discussion on the Local Development Plan and initial consideration of priorities to feature in the Locality Plans. The next round of meetings will be in November/December.

#### **11. Draft Annual Report**

Morna Rae presented the draft Annual Report which covers key achievements, case studies and performance indicators. It was noted that further design work will take place and a final version will be circulated. The Board were asked to provide comment and input to the CPP Team on the report after the meeting.

#### **12. Chairs Reports**

Chairs reports from the Safer North Ayrshire Partnership, Children's Services Strategic Partnership, Economic Development and Regeneration Board and Health and Social Care Partnership were noted.

### **13. AOCB**

The Chair noted that Tim Ross would be moving to a new post within Police Scotland and thanked him for his valuable contribution to the work of the CPP in North Ayrshire.

The next meeting will be held on 1<sup>st</sup> December at 10:30am in Fullarton Connexions.

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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 9**

**9 November 2016**

#### **North Ayrshire Council**

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**Title:** **Committee Timetable 2017**

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**Purpose:** To invite the Council to consider a timetable for the period from January 2017 until the conclusion of the current Administration.

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**Recommendation:** That the Council agrees to consider the draft 2017 timetable as contained in Appendix 1 to this report.

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### **1. Executive Summary**

- 1.1 The Council generally gives consideration in Autumn each year to its calendar of committee meetings for the following year. The appendix to this report sets out a proposed 2017 timetable for the remainder of the current Administration.

### **2. Background**

- 1.2 The report proposes a timetable of committee meetings from January 2017 until the Local Government Elections scheduled to take place on 4 May 2017. The draft timetable includes an Easter and Election recess period and provides an opportunity to maintain appropriate decision-making processes, whilst streamlining committee arrangements in the light of current and anticipated budget pressures.

### **3. Proposals**

- 3.1 Appendix 1 sets out a proposed committee timetable for the period from January 2017 until the Local Government Elections on 4 May 2017. The draft incorporates an Easter and Election recess period, meetings of the Cabinet and the standing committees of the Council, and provisional dates for the Integration Joint Board.

- 3.2 Meetings of the following are not included:-

- the Integration Joint Board Performance and Audit Committee, which generally meets at least quarterly;
- the six Locality Partnerships, which have yet to be scheduled, but will take place on a quarterly basis;
- dates for the Ayrshire Shared Services Joint Committee, which usually meets 4-6 times a year;

- the Local Development Plan, Staffing and Recruitment Committee, Education Appeals and Appeals Committees, given that they meet on an ad hoc basis;
- further Special Meetings of the Council and its committees, including meetings to consider Cabinet Call In requests.

#### 4. Implications

<b>Financial:</b>	There are no financial implications arising directly from this report, although reducing the number of committee meetings may give rise to savings.
<b>Human Resources:</b>	There are no implications arising directly from this report, although reducing the number of committee meetings will support the rationalisation of committee staffing arrangements.
<b>Legal:</b>	There are no implications arising from this report.
<b>Equality:</b>	There are no implications arising from this report.
<b>Environmental &amp; Sustainability:</b>	There are no implications arising from this report.
<b>Key Priorities:</b>	There are no implications arising from this report.
<b>Community Benefits:</b>	Not applicable.

#### 5. Consultation

- 5.1 The proposed 2017 Audit and Scrutiny Committee dates are as closely aligned as possible to the 2016 dates for the former Audit Committee, which were set in consultation with the Council's Finance and Corporate Support Service.
- 5.2 A copy of the proposed timetable has been circulated to Group Leaders, with no adverse comment received.



ELMA MURRAY  
Chief Executive

Reference :

For further information please contact Melanie Anderson, Committee Services Team Leader on telephone number 01294 324131.

#### Background Papers

None.

## Draft Committee Timetable January to May 2017

### Meeting Cycle 1

Wk Begin	Wk	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2 Jan		Winter Recess	Winter Recess	Winter Recess	Winter Recess	Winter Recess
9 Jan	1			10.00 a.m. Licensing Committee	10.00 a.m. Integration Joint Board	
16 Jan	2		2.30 p.m. Cabinet	2.00 p.m. Planning Committee 2.15 p.m. Local Review Body		
23 Jan	3					
30 Jan	4		2.30 p.m. Cabinet	10.00 Licensing Committee		
6 Feb	5	2.00 p.m. Police & Fire & Rescue Committee		2.00 p.m. Planning Committee 2.15 p.m. Local Review Body	10.00 a.m. Integration Joint Board	
13 Feb	6	10.00 a.m. Audit & Scrutiny Committee	2.30 p.m. Cabinet			
20 Feb	7			10.00 a.m. Licensing Committee		
27 Feb	8		2.30 p.m. Cabinet (Education)	10.00 a.m. Cabinet (Budget) 1.00 p.m. Special Council (Budget)		

### Meeting Cycle 2

Wk Begin	Wk	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
6 Mar	1			2.00 p.m. Planning Committee 2.15 p.m. Local Review Body		
13 Mar	2		2.30 p.m. Cabinet	10.00 a.m. Licensing Committee	10.00 a.m. Integration Joint Board	
20 Mar	3			2.00 p.m. Final Council Meeting		
27 Mar	4					
3 April	5	Election/Easter Recess	Election/Easter Recess	Election/Easter Recess	Election/Easter Recess	Election/Easter Recess
10 April	6	Election/Easter Recess	Election/Easter Recess	Election/Easter Recess	Election/Easter Recess	Public Holiday
17 April	7	Public Holiday	Election Recess	Election Recess	Election Recess	Election Recess
24 April	8	Election Recess	Election Recess	Election Recess	Election Recess	Election Recess
1 May		Public Holiday	Election Recess	Election Recess	Local Government Elections	



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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 10**

**9 November 2016**

#### **North Ayrshire Council**

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**Title:** **Safeguarding the Ardrossan to Brodick Ferry Service**

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**Purpose:** To provide an update to Council on the steps being taken to secure the operation of the Ardrossan to Brodick ferry service.

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**Recommendation:** It is recommended that Council:

- a. note the report and the work being undertaken to safeguard the Ardrossan to Arran ferry service; and,
- b. consider the Motion at Agenda Item 13(b) in respect of lobbying activity.

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#### **1. Executive Summary**

- 1.1 The owners of the port of Troon, Associated British Ports have recently made an unsolicited bid to the Scottish Government to secure the ferry sailing currently operating from Ardrossan to Brodick on the Isle of Arran. This would end a service which has been provided from Ardrossan since 1834 and would have a significant detrimental impact on the town through the loss of direct and indirect employment, the creation of a large vacant site and the primary source of visitors to the town. Any such move would offer no benefit to either Ayrshire as a whole or ferry passengers.
- 1.2 As well as the negative economic impact any such move would have for Ardrossan, there is considered to be no case in technical or financial terms to support ABP's bid. Ardrossan offers the shortest, fastest and cheapest means of accessing Arran, and has seen significant success in terms of passenger growth since the introduction of the Scottish Governments Road Equivalent Tariff scheme in October 2014. Any move would also appear to undermine the positive principles of working together for the benefit of Ayrshire established through the promotion of the Ayrshire Growth Deal.

- 1.3 This paper outlines the work already underway to secure the route and to communicate to the Scottish Government the strong case for its retention at Ardrossan. This work will inform a decision, to be made by the Minister for Transport and the Islands, in early 2017.

## **2. Background**

- 2.1 A regular ferry service to the Isle of Arran has sailed from the port of Ardrossan since 1834. The Ardrossan route is the most direct and quickest route available to the Isle of Arran from any mainland port.
- 2.2 The port of Troon offered a sailing to Larne in Northern Ireland until January 2016, when it was announced that the route was to be discontinued with immediate effect. The operator P&O stated at the time that the withdrawal of the service was due to it making a loss, in part, due to the high cost of port charges set by the owners of the port, Associated British Ports (ABP). The port has never accommodated a permanent sailing to Arran and is primarily used for the transfer and storage of timber.
- 2.3 Officers became aware of a proposal to accommodate the service at Troon in August when the Transport Minister indicated that an unsolicited offer had been made by ABP. From information released to the press and presented to Arran residents, it is understood that ABP would propose to invest a sum of around £8M should a commitment be made to operate the Arran ferry service from Troon. More recently ABP have announced a £50,000 per year community benefit fund for Arran residents should their bid be successful. According to ABP their bid would allow a more reliable service and with a lower investment requirement to the public sector. Both of these points are disputed.
- 2.4 The bid by ABP would appear to be opportunistic in response to their recent loss of the Larne sailing. Only limited information is available and 'artists impressions' would suggest the proposals would appear to have been developed to only a limited extent. The ABP bid came as a surprise to officers who have been working closely with both South Ayrshire Council and ABP through the bid for an Ayrshire Growth Deal (AGD). Officers have promoted the case for investment in an Ayrshire Coastal Corridor, incorporating new marine tourism infrastructure and including a cruise passenger terminal at Troon. The suggestion of Troon also accommodating an Arran service did not arise through this work and the three Ayrshire Councils recently approved the content of a Strategic Business Case for the Coastal Corridor project which makes no provision for an Arran sailing from Troon.



- 2.5 It is considered that there is strong case for the retention of an Arran service from Ardrossan. Officers will continue to work with the owners of the harbour infrastructure, Peel Ports, and with Scottish Government officers to present this, which will include:
- The technical case. Ardrossan represents the shortest, fastest and cheapest sailing. It offers immediate rail transfer and easier access to the trunk road network. In terms of reliability there is no difference between the two ports and the new ferry has been designed specifically to berth at Ardrossan;
  - The economic case. The economic and social impact of the loss of the Arran ferry route from Ardrossan would be significant. Ardrossan suffers from levels of deprivation and unemployment at twice the Scottish average and contains significant areas of derelict land due to the historical loss of local industries such as Shell. The loss of the Arran service would see the loss of around 165 jobs in the local area. While some of these jobs may transfer were a move to proceed, it would effectively see employment move from Ayrshire's most deprived town, to one of Ayrshire's most affluent towns for no overall benefit to the region;
  - The regeneration case. Securing the retention of the ferry route and associated improvements would be the catalyst for the delivery of new development on the back of successes such as the marina, health centre, ASDA supermarket and housing development. The loss of the ferry terminal would see the loss of regeneration momentum, further urban dereliction through the creation of a large vacant site, and the loss of identity and the principal source of visitors to the town. Securing the route would facilitate new investment and encourage wider regeneration through the provision of improved links between the Harbour area to the town centre, further expansion of the marina and housing development at Ardrossan North Shore; and,
  - The financial case. Officers are working with Peel to confirm capital investment requirements, the funding mechanism for investment and management, and revenue funding implications. It has been confirmed that media reported infrastructure costs associated with securing the ferry service at Ardrossan are not accurate and Peel Ports have advised that with a secure ferry contract they will commit to fund investment in the Harbour.
- 2.6 Officers will continue to work closely with Peel Ports to further articulate the case for the retention of the service in Ardrossan. This is a continuation and acceleration of work to secure investment in the Harbour area that was already underway in relation to the AGD bid. Communication of the case for the retention of the service will also be important and work on this has included:

- a letter from the Council Leader to the Transport Minister outlining the work which is being undertaken to clarify investment requirements at Ardrossan, and an intention to present information prior to Christmas 2016;
- a letter from the Chief Executive to the Port Director of ABP seeking further information on the ABP proposals and what these would achieve for the benefit of Ayrshire;
- a letter from the Council leader to the Leader of South Ayrshire Council to stress: the impact the loss of the service would have on Ardrossan; that any move would not benefit Ayrshire as a whole; and, the detrimental impact that this risks to the positive joint working achieved through the AGD;
- a letter to the Ayrshire Chamber of Commerce highlighting a conflict of interest in the actions of its President in advocating a relocation of the service to Troon in his role at ABP; and,
- the development of a Communications Programme to ensure that the case for the retention of the route in Ardrossan is reflected in the local and national press. The support of Patricia Gibson MP, Kenneth Gibson MSP, Neil Bibby MSP, Jamie Greene MSP, Local Arran Councillor John Bruce and the Arran Economic Group has already been reflected in the press.

2.7 It is understood that a decision may be made in early 2017 and the Minister has agreed that the Council and Peel Ports submit the case for the retention of the Ardrossan Service prior to Christmas to inform this.

### **3. Proposals**

3.1 Officers will continue to make the case for the retention of the Ardrossan to Brodick ferry service. The route is the shortest, fastest and cheapest. Its loss from Ardrossan would see the loss of employment and the creation of additional derelict land. Safeguarding the route would enable significant investment and regeneration in both the immediate Harbour area and through related projects.

3.2 It is recommended that Council:

- a) note the report and the work being undertaken to safeguard the Ardrossan to Brodick Ferry service; and,
- b) consider the Motion at Agenda Item 13(b) in respect of lobbying activity.

#### 4. Implications

<b>Financial:</b>	There are no financial implications arising from the report. Officers continue to work with the owners of Ardrossan Harbour to confirm the level of investment required to support the retention of the ferry service in the long term, and the funding mechanism for delivery. While some costs will be incurred in the development of this information, these costs will be met from existing budgets.
<b>Human Resources:</b>	There are no human resource implications arising from the report.
<b>Legal:</b>	There are no legal Implications arising from the report.
<b>Equality:</b>	There are no equality implications arising from the report.
<b>Environmental &amp; Sustainability:</b>	There are no environmental or sustainability implications arising from the report
<b>Key Priorities:</b>	<p>The retention of the Arran sailing at Ardrossan would support our corporate priority of growing our economy, increasing employment and regenerating our towns. It also has potential to contribute to other priorities including:-</p> <ul style="list-style-type: none"> <li>● Working together to develop stronger communities;</li> <li>● Ensuring people have the right skills for learning, life and work;</li> <li>● Protecting and enhancing the environment for future generations.</li> </ul>
<b>Community Benefits:</b>	There are no community benefit implications arising from the report.

## **5. Consultation**

- 5.1 Consultation has been undertaken with the Leader and Portfolio Holder. Externally the matter has been raised with the Arran Economic Group who have issued a press release emphasising their support for the retention of the Ardrossan service. Further consultation is envisaged with local interested parties and forums including the Locality Partnership and Economic Development and Regeneration Board.



ELMA MURRAY  
Chief Executive

Reference : EM/AL/as

For further information please contact Elma Murray on 01294 324124

### **Background Papers**

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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 11**

**9 November 2016**

#### **North Ayrshire Council**

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**Title:** **Audit Scotland : Annual Report on the 2015/16 Audit**

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**Purpose:** Council is invited to note the annual audit report for 2015/16.

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**Recommendation:** That Council (a) notes the findings of the 2015/16 audit as contained in the External Auditor's annual report at Appendix 1 and (b) notes the agreed action plan as outlined in Appendix IV of the annual report.

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#### **1. Executive Summary**

- 1.1 The unaudited accounts for the year to 31 March 2016 were approved by Council on 15 June 2016 and submitted to Audit Scotland for audit. The Assistant Director, Audit Services for Audit Scotland completed the audit and reported on their findings to those charged with governance at the Audit and Scrutiny Committee on 23 September 2016. The Independent Auditor's Report was free from qualification and confirmed that the accounts gave a true and fair view of the state of the affairs of the Council and its group as at 31 March 2016. This allowed the financial statements to be approved and certified in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.
- 1.2 As detailed at paragraph 2.5, adjustments of £0.565m were identified during the audit process and the reported contribution to unearmarked reserves was reduced by the same amount.
- 1.3 Audit Scotland's Annual Audit Report to Members and the Controller of Audit includes an action plan in relation to high level risks identified during the course of the audit. For the year to 31 March 2016, only one high level risk has been identified. Details of the risk and the proposed management actions are included at paragraph 2.13.

## **2. Background**

- 2.1 The Council's accounts for the year to 31 March 2016 were submitted to Audit Scotland for audit by the statutory deadline of 30 June 2016. The external auditor was required to complete the audit by 30 September 2016 and to report on certain matters arising to those charged with governance in sufficient time to enable appropriate action to be taken before the financial statements were approved and certified.
- 2.2 The 2015/16 audit of the Council was conducted by Audit Scotland, concluding the final year of a five year cycle as the Council's appointed external auditors.
- 2.3 As part of their audit work, Audit Scotland assessed the key financial and strategic risks being faced by the Council, as well as auditing the financial statements, reviewing the Council's financial position and aspects of financial management, sustainability, transparency, governance and best value.
- 2.4 Audit Scotland's annual report to members, which summarises the findings of their audit, is attached at Appendix 1.
- 2.5 Monetary adjustments of £0.565m were identified during the audit process and the reported contribution to unearmarked reserves was reduced by the same amount. These adjustments related primarily to additional liabilities for Landfill Tax arising from the understatement of tonnages recorded by the Shewalton landfill site weighbridge system, £0.806m. This was partially offset by adjustments to Council Tax exemptions and discounts £0.161m and Carbon Reduction Commitment allowances £0.080m.
- 2.6 The auditors confirmed that the Council's financial management arrangements remain strong. The General Fund recorded a net underspend of £5.150m including the use of unearmarked reserves of £0.565m. As approved by Council on 15 June 2016, £5.150m was transferred to earmarked reserves resulting in a net breakeven position. This included a planned net contribution to reserves of £2.465m.
- 2.7 The General Fund Balance consisted of earmarked commitments of £18.936m and an unallocated balance of £8.950m, which is in line with the Council's Reserve Strategy.
- 2.8 The Council's share of group reserves reported in the Group Balance Sheet was increased by £1.759m as a result of adjustments to inter group balances between the Council and its Joint Ventures.

2.9 Pages 9 to 11 in the attached audit report outline the 5 key issues identified during the audit of the accounts for 2015/16 and the course of action agreed by Council officers. These issues relate to:

- Equal pay claims;
- Pension Fund liabilities;
- Depreciation of Council Dwellings;
- Depreciation of Non Current Assets;
- Landfill tax liability.

2.10 A link to the final audited accounts has been issued to all Members for their information and is attached below:

<http://www.north-ayrshire.gov.uk/Documents/CorporateServices/Finance/annual-accounts-2015-16.pdf>

2.11 Audit Scotland notes that overall the Council's governance arrangements in 2015/16 were satisfactory. Some of the key messages are noted below :

- Financial management remains strong with a robust budget setting process in place to deliver services in line with the Council's priorities;
- The Council has effective governance arrangements in place;
- The Council's systems of internal control operated effectively during the year;
- Local residents have access to information on how the Council delivers services and performs against its priorities;
- The Council has an effective internal audit function and anti-fraud arrangements;
- The Council's "Good to Great" improvement journey underpins the performance management strategy;
- The "Transformation 2 (T2) programme" seeks to address demographic and financial pressures through transformational change;
- The Council was awarded Recognised for Excellence (R4E) from Quality Scotland in June 2015.

2.12 The report recognises that the Council has good financial management arrangements and that the Council's financial position is sustainable but challenging, currently and in the foreseeable future.

2.13 An action plan which sets out the main risks identified from the annual audit work is contained in Appendix IV to Audit Scotland's report. The risk identified is in relation to the need to ensure that the actions contained in the North Ayrshire Integrated Joint Board recovery plan are addressed and that steps are taken to address any projected overspends. The action plan notes the steps being taken by the Council to address this through its receipt of regular financial reports from the IJB.

### 3. Proposals

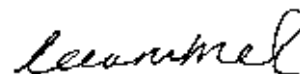
- 3.1 That Council (a) notes the findings of the 2015/16 audit as contained in the External Auditor's annual report at Appendix 1 and (b) notes the agreed action plan as outlined in Appendix IV of the annual report.

### 4. Implications

<b>Financial:</b>	None
<b>Human Resources:</b>	None
<b>Legal:</b>	None
<b>Equality:</b>	None
<b>Environmental &amp; Sustainability:</b>	None
<b>Key Priorities:</b>	The external audit report provides reassurance that the Council is operating efficiently and effectively.
<b>Community Benefits:</b>	None

### 5. Consultation

- 5.1 The Chief Executive, Executive Directors and other appropriate officers have been consulted during the audit process.



LAURA FRIEL  
Executive Director (Finance and Corporate Support)

#### Reference :

For further information please contact David Forbes, (Senior Manager Financial Management) on 01294 324551

#### Background Papers

Unaudited Annual Accounts - North Ayrshire Council - 15 June 2016



# North Ayrshire Council

2015/16 Annual audit  
report to Members and  
the Controller of Audit

23 September 2016

## Key contacts

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies ([www.audit-scotland.gov.uk/about/ac/](http://www.audit-scotland.gov.uk/about/ac/)). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General ([www.audit-scotland.gov.uk/about/](http://www.audit-scotland.gov.uk/about/)).

The Accounts Commission has appointed Fiona Mitchell-Knight as the external auditor of North Ayrshire Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of North Ayrshire Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

## Contents

Key messages .....	3
Introduction .....	5
Audit of the 2015/16 financial statements.....	6
Financial management and sustainability .....	13
Governance and transparency .....	23
Best Value .....	29
Appendix I: Significant audit risks .....	36
Appendix II: Summary of local audit reports 2015/16 .....	42
Appendix III: Summary of Audit Scotland national reports 2015/16 ...	43
Appendix IV: Action plan .....	44

# Key messages

## Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.
- Unqualified auditor's reports on the ten charitable trusts administered by the council

## Financial management and sustainability

- Financial management remains strong with a robust budget setting process in place to deliver services in line with the council's priorities.
- Services reported a budget underspend of £5.150 million for the year. This has been earmarked for service expenditure and capital investment in 2016/17.
- The general fund reported a surplus of £5.914 million before transferring £3.931 million to other usable reserves. The general fund balance increased by £1.983 million to £27.886 million in 2015/16.
- The earmarked element of the general fund increased from £15.559 million in 2014/15 to £18.936 million in 2015/16. The unearmarked element of the general fund decreased from £10.344 million in 2014/15 to £8.950 million in 2015/16.
- The HRA reported a surplus of £1.161 million and the balance was £12.224 million in 2015/16.
- A balanced budget has been set for 2016/17, with a funding gap of £3.836 million and £17 million forecast for 2017/18 and 2018/19 respectively. Work is underway to bridge these gaps. The 2017/18 budget gap includes the use of £2.811 million from earmarked reserves following a review of these balances.
- The council fully funded the North Ayrshire Integration Joint Board (IJB) overspend of £2.109 million in 2015/16 on a non recurring basis. The IJB has committed to achieve efficiency savings of £4.000 million in 2016/17. The financial position for both the council and the IJB is extremely challenging.



### Governance and transparency

- The council has effective governance arrangements in place.
- Systems of internal control operated effectively during the year.
- Local residents have access to information on how the council delivers services and performs against its priorities.
- The council has an effective internal audit function and anti-fraud arrangements.



### Best Value

- The council's 'Good to Great' improvement journey underpins the performance management strategy. This is incorporated into each of the three year Directorate Plans.
- The 'Transformation 2 (T2) programme' seeks to address demographic and financial pressures through transformational change.
- The council receive progress reports on the Single Outcome Agreement (SOA) action plan and the Directorate Plans. The latter incorporate Council Plan progress. These show the council is on target to meet most of its measures or actions.
- The council was awarded Recognised for Excellence (R4E) from Quality Scotland in June 2015. Work is underway to implement improvements as a result of the R4E feedback.



### Outlook

- North Ayrshire Council must continue to challenge how it delivers services into the future to respond to its pressures. The new transformation programme will be an important element in deciding how these choices are determined.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of North Ayrshire Council. The report is divided into sections which reflect our public sector audit model.
2. The management of North Ayrshire Council is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of North Ayrshire Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at [appendix II](#) and [appendix III](#), include recommendations for improvements.
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that North Ayrshire Council understands its risks and has arrangements in place to manage these risks. The council and executive officers group should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of North Ayrshire Council will be Deloitte LLP. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

# Audit of the 2015/16 financial statements

<b>Audit opinion</b>	<ul style="list-style-type: none"> <li>We have completed our audit of the council and its group and issued an unqualified independent auditor's report.</li> </ul>
<b>Going concern</b>	<ul style="list-style-type: none"> <li>The financial statements of the council, its group and the associated charitable trusts have been prepared on the going concern basis. We are not aware of any events or conditions that may cast significant doubt on the council, its group and associated charitable trusts' ability to continue as a going concern.</li> </ul>
<b>Other information</b>	<ul style="list-style-type: none"> <li>We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.</li> </ul>
<b>Charitable trusts</b>	<ul style="list-style-type: none"> <li>We have completed our audit of the 2015/16 financial statements of the charitable trusts administered by North Ayrshire Council and issued an unqualified independent auditor's report for each of the relevant trusts.</li> </ul>
<b>Group accounts</b>	<ul style="list-style-type: none"> <li>The council has accounted for the financial results of three subsidiaries, four associates, and three joint ventures in its group accounts for 2015/16. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £24.207 million.</li> </ul>
<b>Whole of government accounts</b>	<ul style="list-style-type: none"> <li>The council submitted a consolidation pack for audit by the deadline of 26 August 2016. This will be certified and submitted to the NAO by the due deadline of 30 September.</li> </ul>

## Submission of financial statements for audit

10. We received the unaudited financial statements on 17 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted the delivery of the audit to deadline.
11. The financial results of North Ayrshire Integration Joint Board have been reflected in the council's group accounts in 2015/16, with the Board being operational since April 2015. The Board prepared the financial statements within statutory timescales, including the consideration of assurance arrangements relating to the annual governance statement.

## Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the scope of the audit were outlined in our Audit Plan presented to the Audit Committee on 23 May 2016.
13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
14. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a

number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

16. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

18. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of North Ayrshire Council we set our planning materiality for 2015/16 at £4.813 million (1% of gross expenditure). Performance materiality was calculated at £3.610 million, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
19. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and adjusted planning materiality to £5.616 million. Performance materiality was amended to £4.212 million. This was due to a higher level of gross expenditure compared to previous years caused by the prescribed method for accounting for IJBs. We have reported all misstatements greater than £0.055 million to members.

## Evaluation of misstatements

20. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements. The effect of these adjustments is to increase the net cost of services recorded in the comprehensive income and expenditure account by £0.565 million. This related to the understatement of a landfill tax cost, the overstatement of a council tax exemption provision, and the understatement of the carbon reduction commitment debtor. This, consequently, reduces the general fund balance reported in the movement in reserves fund from £28.451 million to £27.886 million.

21. As noted on page 10 there were two depreciation misstatements in the unaudited accounts. These were compensating misstatements which net to £1.872 million. All depreciation adjustments are mitigated in the movement in reserves statement in accordance with a statutory adjustment prescribed in the 2015/16 local government accounting code (the “Code”). Hence, there is no impact on the general fund. However, the deficit on provision of services reported in the comprehensive income and expenditure account increased by £1.872 million; and the statutory adjustment reported in the movement in reserves account increased by the same amount to compensate this.
22. The council's share of group reserves reported in the group balance sheet has increased by £1.759 million to £24.207 million. This is mainly due to inter group balances between the council and its joint ventures previously being erroneously eliminated prior to calculating the council's share of the joint ventures' assets and liabilities.

## Significant findings from the audit

23. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
  - Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.



- Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
24. The following table details those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

## Significant findings from the audit in accordance with ISA260

### Equal Pay Claims

A provision of £2.867 million is included at 31 March 2016 for all known claims against the council, however actual settlements are subject to the outcome of several national test legal cases and could be settled at an amount that is different from this. The council have also disclosed a contingent liability for further unknown claims which may arise in the future and have earmarked £1.011 million of the general fund to cover this. As the tribunal process unfolds the extent of the council's eventual liability will become clearer.

**Resolution:** Management will review the equal pay provision annually to take account of any legal developments.

### International Accounting Standard (IAS19) pension liability

The pension liability represents the difference between the expected future payments to be made to former employees of the council and their spouse in the form of pension payments and the underlying value of pension fund assets to meet this cost. The calculation of the liability is assessed by professional actuaries each year and is an estimated figure.

There has been a reduction in the 'net liability arising from defined benefit obligation' of £71.796 million to £151.309 million at 31 March 2016. This is due, in part, to a rise in the net discount rate decreasing the assessed value of liabilities, as a lower value is placed on benefits paid in the future. Although the liability will continue to vary, this information is necessary for the council to ensure the pension fund remains affordable and adequately funded.

**Resolution:** The triennial valuations of the pension fund carried out by Strathclyde Pension Fund assures that the pension fund remains adequately funded. The financial statements have been prepared on the basis of these assumptions.

## Significant findings from the audit in accordance with ISA260

### Depreciation of Council Dwellings

Council dwellings were revalued in 2014/15. The land element, which is not depreciable, was not separately identified, resulting in depreciation being overcharged by £3.003 million in 2014/15. We agreed with officers that a prior year adjustment was not required in this year's accounts on the grounds that the overcharge was not material, was not representative of an error in a wider population, and would be corrected in 2015/16. However, the unaudited accounts did not properly reflect the journals that were processed to correct this. As a result, the depreciation charge applied in the Comprehensive Income and Expenditure Statement (CIES) in the unaudited accounts was overstated by £3.003 in 2015/16.

**Resolution:** The audited financial statements were amended. This has no overall impact on the general fund balance at 31 March 2016 recorded in the Movement in Reserves Statement (MIRS) as all depreciation charges to the CIES are eliminated each year through a statutory adjustment.

### Non Current Assets –Depreciation based on Revaluation as required by the Code

In accordance with the 2015/16 local government accounting code, the depreciation charge each year requires to be based on the revalued values of assets. An adjustment is then processed in the MIRS to reduce this to depreciation based on the cost of the asset. However, this was not correctly reflected in the CIES as depreciation in the CIES was based on the historic cost of assets. As a result, the depreciation charge in the CIES in the unaudited accounts was understated by £4.875 million in 2015/16.

**Resolution:** The audited financial statements were amended. This has no overall impact on the general fund balance at 31 March 2016 recorded in the MIRS as all depreciation charges to the CIES are eliminated each year through a statutory adjustment.

## Significant findings from the audit in accordance with ISA260

### Creditors - Landfill Tax

Subsequent to preparing the unaudited accounts, the council identified that it had understated its landfill tax liability by £0.806 million. This relates to errors incurred when weighing amounts going to landfill over the last four years.

**Resolution:** The audited financial statements were amended. The general fund is therefore reduced by £0.806 million.

## Future accounting and auditing developments

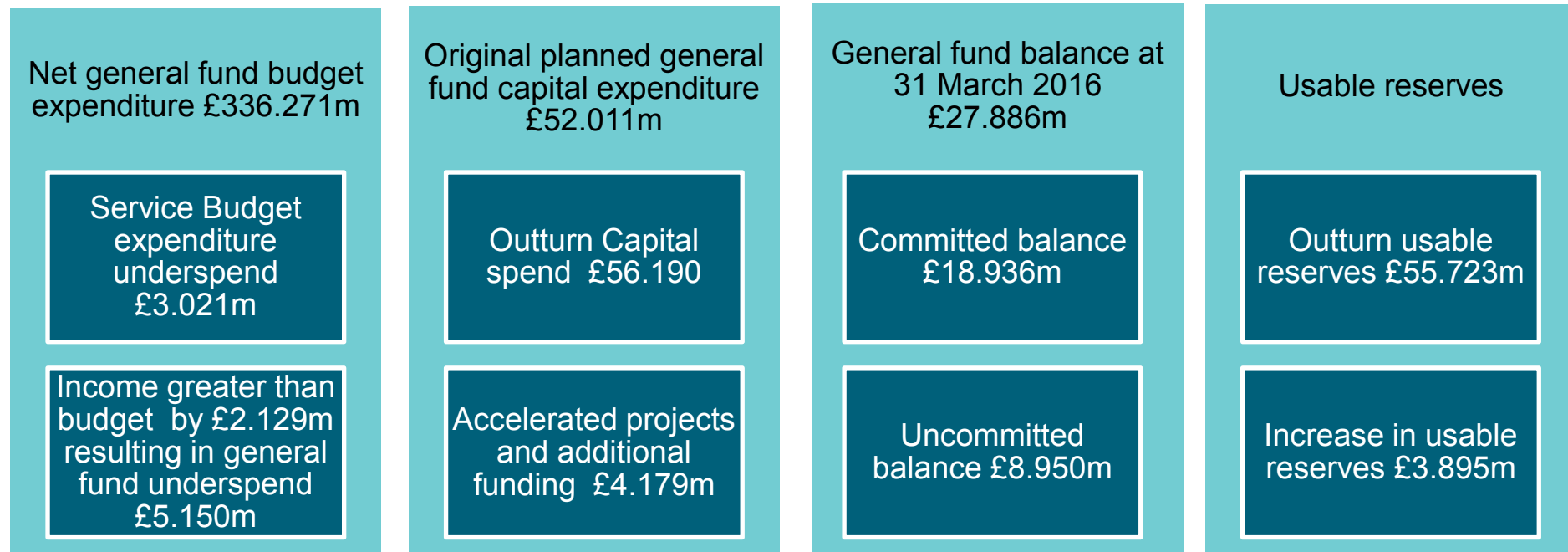
### Highways network assets

25. The 2016/17 local government accounting Code will adopt a new measurement requirement for the valuation of the highways network asset. They will be measured on a depreciated replacement costs basis. This will have a significant impact on the value of local authority balance sheets. Officers consider there is a high level of information available in readiness for the change in accounting practice.

### Code of Audit Practice

26. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on four areas:
- Financial sustainability
  - Financial management
  - Governance and transparency; and
  - Value for money
27. In addition, as well as the annual audit report, other significant outputs, such as the annual audit plan, will be published on Audit Scotland's website.

# Financial management and sustainability



## Financial management

28. In this section we comment on the council's financial outcomes and assess the council's financial management arrangements.
29. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The setting of the annual budget impacts directly on residents as it determines council

tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

## Financial outcomes

30. The council reported an underspend of £5.150 million in 2015/16 against its break even budget. This is being carried forward as part

of earmarked balances to fund service expenditure in 2016/17. The council reported the main reasons for the underspend as follows:

- The level of funding available from the Scottish Government to fund Discretionary Housing Payments and the Council Tax Reduction scheme resulted in the funds set aside by the Council no longer being required (£1.2 million).
  - Delays in the implementation of Universal Credit for residents within the homelessness service meant that funds set aside to meet the funding shortfall were not required (£1.0 million).
  - Lower levels of inflation than anticipated when setting the current year budget (£1 million).
  - Vacancy management efficiencies (£0.8 million).
  - Funds earmarked for employability projects carried forward to 2016/17 (£0.8 million).
  - Underspend in economic development due to delays in European Social Funding grant award notifications and underspend in Irvine Bay regeneration programmes (£0.7 million).
31. This was partly off-set by an overspend within services provided to North Ayrshire Health and Social Care Partnership of £2.109 million (or 2.4% of its budget). This was mainly due to overspends within Children and Families due to demand for residential and community packages (£1.651 million).
32. The overspend was fully funded by North Ayrshire Council on a non recurring basis. A recovery plan, including improvements to budget

forecasting and monitoring processes was approved by the partnership, and reported to the Council and NHS Ayrshire & Arran.

33. This follows an overspend in social care cost of £2.637 million in 2014/15 and further overspends by this service in most of the last five years. The service has committed to achieving efficiency savings of £4 million in 2016/17 and this will be extremely challenging.

#### Action Plan 1

34. The Management Commentary in the accounts shows how the management accounts underspend ties into the figures reported in the financial statements. Differences occur due to the accounting treatment required, timing of expenditure; or where there are plans for service delivery which will be delivered at a later date. This is an established part of the council's budget process.
35. The annual accounts show that the general fund recorded an accounting surplus of £5.914 million in 2015/16 prior to transferring £3.931 million to the capital fund. This is more than the management accounts underspend of £5.150 million. This arises because the management accounts include expenditure which the council budgeted to transfer to earmarked fund (£5.630 million); which is offset by expenditure incurred in 2015/16 that was financed by reserves rather than in year income (£4.866 million).
36. The housing revenue account (HRA) reported a management accounts underspend of £1.862 million in 2015/16 (or 4.1% of income). This underspend arose due to:

- a net saving in loan charges as a result of external borrowing falling below anticipated levels due to continued use of internal funds instead of new borrowing (£1.3 million)
  - underspends in repairs and adaptations to housing stock (£0.5 million; and
  - reduced write off of rent arrears reflective of current collection levels (£0.27 million).
37. This was partly offset by a reduction in the rental income base as a result of the demolition of houses linked to the acceleration of new house building projects (£0.2 million).
38. Of this underspend, £0.701m was financed from the housing revenue account fund balance brought forward from 2014/15 rather than from income received in the year. This results in an accounting surplus for the HRA of £1.161 million.
39. The HRA has a reserve fund balance of £12.224 million at 31 March 2016. Of this, £12.167 million has been earmarked for future use in respect of council house building; mitigating the impact of welfare reform; sheltered housing unit works; infrastructure improvements; major refurbishment works, and a £1 million contingency to meet any unforeseen costs. The remaining uncommitted balance is £0.057 million.

## Financial management arrangements

40. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the proper officer has sufficient status within the council to be able to deliver good financial management
  - financial regulations are comprehensive, current and promoted within the council
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - members provide a good level of challenge and question budget holders on significant variances.
41. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.
42. We reviewed the council's financial regulations, which are revised annually, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's website.
43. Revenue budget and capital monitoring data is prepared monthly for budget holders and directors. These are reported in an agreed format to the Cabinet every two months from July to January. An

annual review for the year to March is provided with the annual accounts. Projections of the year end position are included in the reports.

44. The reports focus on the major movements in financial projections from the previous report to Cabinet. Full details of all major variances are available within the appendices to the reports. We consider the level of reporting is appropriate and addresses all variances (whether due to underspend, overspend, or slippage).
45. As auditors we attend a number of council and committee meetings each year. Members provide a good level of challenge and question budget holders on significant variances and service performance issues.

## Conclusion on financial management

46. The council has good financial management arrangements which include services being able to carry forward approved uncommitted elements of their budget.
47. Although year on year underspends have contributed to increasing levels of reserves, we are satisfied this is part of a policy to build reserves for use in future years. As noted in the following “financial sustainability” section, this will enable the council to effectively manage and plan service delivery over the longer term.
48. Despite the overall underspends, there has been a recurring overspend of health and social care services in recent years. This is partly due to the demand led nature of the service which makes it

more difficult to predict costs. The council requires to seek assurances from the IJB that robust financial management arrangements are in place to maintain expenditure within the amounts agreed. See also paragraphs 123-128.

## Financial sustainability

49. The council delivers a broad range of services, both statutory and discretionary, to its communities. Financial sustainability means that the council has the capacity to meet the current and future needs of its communities.
50. In assessing financial sustainability we are concerned with whether:
  - there is an adequate level of reserves
  - spending is being balanced with income in the short term
  - long term financial pressures are understood and planned for
  - investment in services and assets is effective.
51. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability. See paragraph 171 for our findings on workforce planning.

## Reserves

52. Exhibit 1 shows the level of usable reserves held by the council. They increased by £3.895 million over the year to a total of £55.723 million. The general fund balance is made up of earmarked commitments of £18.936 million and an unallocated balance of £8.950 million.



## Exhibit 1: Usable reserves

Description	31 March 2015 £ million	31 March 2016 £ million
General fund	25.903	27.886
Housing revenue reserve	11.063	12.224
Capital Fund	9.919	12.729
Repair and renewal fund	1.627	0.286
Insurance fund	3.316	2.598
<b>Total usable reserves</b>	<b>51.828</b>	<b>55.723</b>

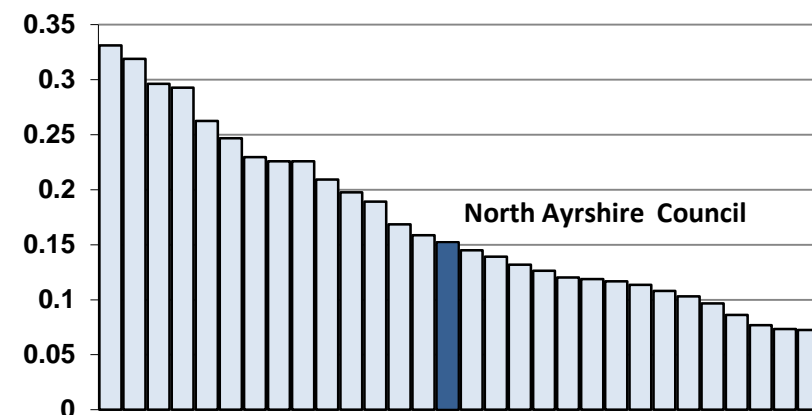
Source: North Ayrshire Council 2015/16 financial statements

53. The increase in usable reserves is mainly due to the accounting surplus generated by both the general fund and the HRA. The capital fund increased due to contributions from the general fund during the year being higher than the amounts that were then used to finance capital projects. The remaining capital fund balance is intended to be used to help fund the capital programme to 2020/21 and to enhance the learning environment in secondary schools.
54. The general fund reserve has no restrictions on its use. The principal purpose of holding a general fund reserve is to provide a contingency fund to meet unexpected events and as a working balance to help cushion the impact of uneven cash flows.
55. The council's Reserves Strategy, which is reviewed annually, specifies that uncommitted reserves should of between 2% and 4%

should be maintained. This is the equivalent of between £6.7million and £13.5 million for the council. As at 31 March 2016, the council's unallocated reserve is £8.950 million or 2.7% of net budgeted expenditure.

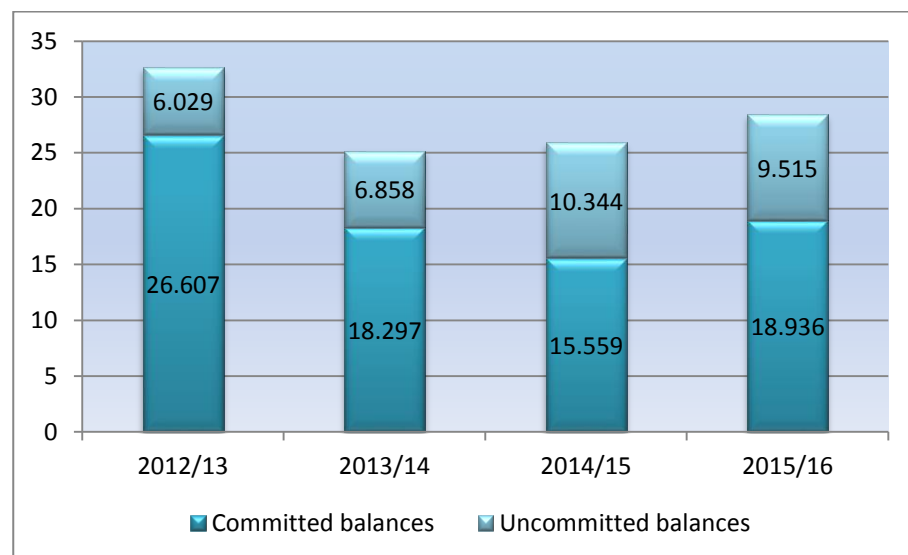
56. Exhibit 2 below presents the council's total usable reserves position in relation to net revenue stream for the year in comparison to other Scottish councils (net revenue stream being presented as general revenue grant, council tax, non-domestic rates and dwelling rents). North Ayrshire's position: 15.2% (2014/15: 14.3%) is in line with the median level for Scotland of 15% (2014/15: 14.4%).

**Exhibit 2: Total useable reserves as a proportion of net revenue stream plus HRA rents**



57. Exhibit 3 demonstrates the movement in the committed and uncommitted element of the general fund balance over the last four years.

**Exhibit 3: Committed and Uncommitted balances**



58. Information from unaudited council accounts across Scotland indicates that councils have continued to increase usable reserves, including their General Fund reserves, to help smooth expected reductions in funding. The earmarked commitments of £18.936 million will be used to finance the change & service redesign fund, affordable housing, potential additional equal pay claims, and directorate expenditure projects that have been identified for 2016/17 and beyond.

## Financial planning

59. The council carries out medium term financial planning on a rolling three year basis. This is supported by the council's long term financial strategy for the period to 2022/23.
60. Local government revenue funding across Scotland for 2016/17 is 3.4% less than for 2015/16. This resulted in the council receiving £10 million (3.63%) less than the settlement for 2015/16. The council has estimated that there will be reductions of 2.5% in both 2017/18 and 2018/19. Projections for future expenditure and savings requirements are based on this.
61. A balanced budget has been set for 2016/17, with a funding gap of £3.836 million and £17 million forecast for 2017/18 and 2018/19 respectively. This is based on:
- Delivery of previously approved savings of £11.616 million and £4.452 million in 2016/17 and 2017/18 respectively
  - Approval of new savings of £2.204 million and £2.421 million in 2016/17 and 2017/18 respectively
  - A review of earmarked reserves which determined that £2.811 million can be applied to 2017/18 to help reduce the forecast deficit for the year.
62. Work is underway to identify options to bridge the anticipated funding gaps in 2017/18 and 2018/19. Various service reform options are under review.
63. The Council continues to develop its strategic financial framework as part of the budget setting process to ensure resources align with

outcomes. When setting the budget for 2016/17 reports to members aligned budget decisions to outcomes. The Council intends to use its strategic framework more directly for future year budget setting.

### Capital programme 2015/16

64. The council approved its general services and housing capital programme for 2015/16 in December 2014. As outlined in Exhibit 4 below, capital budgets were revised during the year. Total planned expenditure reduced by £4.799 million (5.90%).

**Exhibit 4: Capital Expenditure 2015/16**

Capital Programme 2015/16	Approved budget £million	Revised budget £million	Expenditure in year £million	Variance £million %
General	52.011	55.456	56.190	0.734 1.32%
Housing	29.329	21.085	19.972	(1.113) (5.28%)
<b>Total</b>	<b>81.340</b>	<b>76.541</b>	<b>76.172</b>	<b>(0.369)</b> <b>0.48%</b>

65. Regular reports on the capital programme were prepared for the Cabinet, who approved various adjustments to the capital programme budget. The main projects completed in the year

included Salcoats town hall, the Millport field centre, and the strategic investment site in the Irvine Enterprise Area.

66. The increase in the general services capital budget was mainly due to accelerating expenditure at Garnock Campus from 2016/17 into 2015/16. This was offset by movements in the spending profile on work currently in progress at Irvine Leisure Centre and Largs Academy; and slippage in the learning disability day centres and the cemetery works programme.
67. The initial HRA Housing Investment Programme budget set in December 2014 was revised downwards during the year by £8.244 million (28.1%). This was mainly due to a delay in design work for the new build at Fencedyke (£4.460 million) which will slip to 2016/17. Also, savings in the tender prices achieved across various programmes and a reduction in the works required to meet energy efficiency standards by 2020 (£2.953 million) has been carried forward for future housing projects.
68. The HRA variance of £1.113 million consisted of an underspend on the programme of £0.126 million, with the remaining underspend for the year of £0.987 million carried forward for the House Building programme. The housing programme focused on major component replacement and the building of council dwellings. 56 new homes were completed during the year at Irvine and Kilbirnie.

### Asset Management

69. The council has a Corporate Asset Strategy, together with Asset Management Plans (2014-2017) and associated action plans for

each of its six core asset groups. All the action plans are reviewed annually. Six monthly progress reports on asset management plans are reported to the Executive Leadership Team and an annual report is prepared for Cabinet.

- 70. The Property Asset Management Plan 2014-17 supports the transfer of assets through exploring partnership opportunities and option appraisals on the disposal of surplus assets. The council has a Property Asset Disposal Strategy and this is included in the estates procedures manual. A Community Asset Transfer Policy is also in place to provide a framework which enables and manages the transfer of assets from the council to voluntary or community organisations. This is being updated to reflect the rules and regulations in the Community Empowerment (Scotland) Act 2015.
- 71. The Capital Programme and Assets Group (CPAG) consider business cases for proposed capital projects, prior to presentation to members, and monitor the delivery of the capital programme.

## Treasury Management

- 72. At 31 March 2016 long term borrowing stood at £208.740 million (excluding PPP), a decrease of £10.911 million on the 2014/15 borrowing level of £219.651 million. During the same period, short term borrowing increased from £11.750 million to £17.462 million. New long term loans of only £1.625 million were taken out during the year. The levels of borrowing are in line with the council's Treasury Management Strategy for 2015/16.
- 73. Interest payable and similar charges fell by £0.787 million in 2015/16 to £17.952 million. This was due to the reduction in borrowing. Over the same period, the council's average rate on borrowing (excluding PPP debt) reduced from 5.68% to 5.50%.
- 74. The financing for the council's £276 million capital programme from 2016/17 to 2025/26 is outlined in the Treasury Management and Investment Strategy 2016/17. All services identified their requirements for capital investment and applied pre-determined criteria to identify the top priority projects.
- 75. The underlying borrowing requirement between 2016/17 and 2019/20 arising from the planned levels of capital investment are summarised in exhibits 5 and 6. The general fund is based on the capital investment strategy for 2016/17 to 2025/26; and the HRA reflects the capital investment programme for 2016/17 to 2017/18 and the longer term reflects the latest business plan.

**Exhibit 5: General Fund Capital Financing**

<b>General Fund Capital</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Capital Expenditure	64.087	37.348	18.908	19.911
<b>Source of Funds</b>				
Capital Grants/Receipts	14.950	14.181	17.408	19.911
CFCR	0.629	-	-	-
Reserves	10.805	0.450	-	-
<b>Expenditure to be financed by Borrowing</b>	<b>37.703</b>	<b>22.717</b>	<b>1.500</b>	<b>-</b>

Source: North Ayrshire Council 2016/17 Treasury Management and Investment Strategy

76. The General Services capital programme has an indicative borrowing requirement of £61.920 million between 2016/17 and 2019/20. The Housing Investment programme, as shown below, identifies required borrowing of £42.760 million. Forecast cumulative borrowing throughout the period to 2026/27 is within the council's "operational boundary" for borrowing.

**Exhibit 6: Housing Investment Programme Capital Financing**

<b>HRA Capital</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Capital Expenditure	25.998	36.512	23.313	25.387
<b>Source of Funds</b>				
Capital Grants/Receipts	5.018	2.300	2.300	2.300
CFCR	13.668	13.569	13.255	13.232
Reserves	1.008	0.600	0.600	0.600
<b>Expenditure to be financed by borrowing</b>	<b>6.304</b>	<b>20.043</b>	<b>7.158</b>	<b>9.255</b>

Source: North Ayrshire Council 2016/17 Treasury Management Strategy

77. The council intends to continue with its strategy of internal borrowing by reducing temporary investment balances and using them to fund capital expenditure in the short term. External borrowing will therefore be lower than that reported above. It is forecast, though that the use of internal funds will reduce over time and is forecast to end in 2018/19.
78. The treasury management borrowing strategy demonstrates that the council plans to continue to finance a substantial element of the housing capital programme from revenue funding. This is

forecast at £53.424 million over the four years to 2019/20. In 2015/16 £10.479 million housing revenue funding was used to finance capital programme work. The council consider this to be sustainable over the period covered by the strategy.

79. The financial implications of the treasury management borrowing strategy have been incorporated into the council's financial planning assumptions for the general and housing revenue accounts and the council will continue to keep these under review. Based on current projections we consider this to be sustainable.

### Pension liability

80. Balance sheet net assets increased from £407.653 million in 2014/15 to £489.538 million in 2015/16, an increase of £81.885 million. This is mainly due to the £71.796 million decrease in the pension liability from £223.105 million to £151.309 million.
81. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.
82. At the last triennial valuation (in 2014) the Strathclyde Pension Fund was 94.3% funded and had assets of £13.949 billion. The next valuation will take place in 2017 when contribution rates will be re-assessed.

### Conclusion on financial sustainability

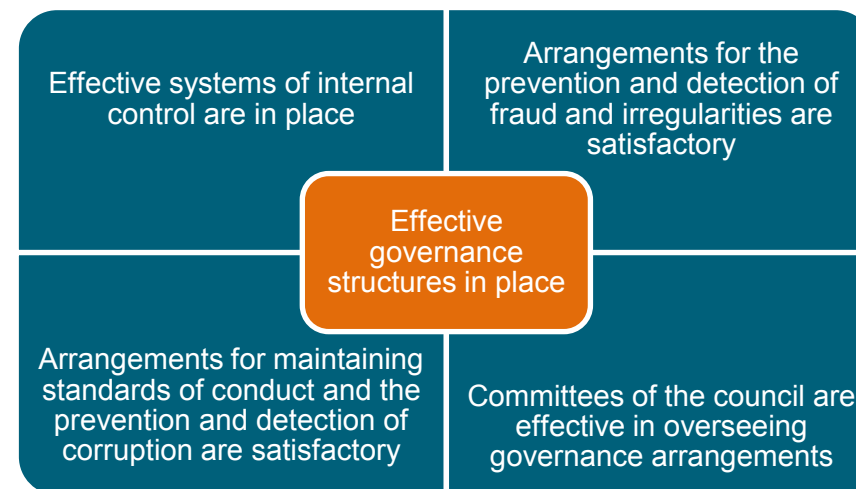
83. The council has an adequate level of reserves and is containing expenditure within annual budgets. To date, it has achieved the efficiencies required to meet its projected funding gaps.
84. The council recognises it needs to forecast and deliver efficiencies, both over the medium and long term, if it is to manage ongoing financial pressures. This is reflected in its rolling three year financial plans and is supported by its ten year financial strategy to 2022/23, which incorporates assumptions about future demands on services and funding levels.
85. Overall we conclude that the financial position is sustainable but challenging currently and in the foreseeable future. There will be a strain to deliver services at the current levels.

### Outlook

86. In common with other Scottish councils, North Ayrshire Council faces increasingly difficult financial challenges in the foreseeable future. The council has identified a budget gap of £21 million over the next two years to 2018/19. This excludes the use of nearly £3 million from the uncommitted general fund to help finance the 2017/18 projected gap. The financial challenges are heightened by a lower than anticipated Local Government Finance Settlement in 2016/17 and expected reductions in cash terms in the following two years. The council's Transformation (T2) programme will need to identify savings and monitor the impact from all service reviews.

87. The council's Masterpiece system is the primary source of financial information across services. The council considers the system is no longer fit for purpose as it does not support necessary improvements to management information.
88. A new system is scheduled to be in place by April 2017. Transition arrangements are in place and testing is underway. A contract was awarded to Capita Secure Information Solutions Ltd in June 2016. The new system aims to deliver benefits including: more integration within the financial system; more user friendly and less resource intensive; and improved reporting and forecasting.

## Governance and transparency



89. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that the council has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
90. Citizens should be able to hold the council to account about the services it provides. Transparency means that citizens have access



to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources. Overall we concluded that the council is open and transparent.

## Corporate governance

91. The council has a longstanding committee structure in place which is underpinned by clear roles for members and officers; and procedural documentation regarding decision making. Based on our observations and audit work, our overall conclusion is that the governance arrangements within North Ayrshire Council are operating effectively.

## Local code of corporate governance

92. The council has developed and adopted a local code of corporate governance which reflects the key components as set out in the CIPFA/SOLACE Delivering Good Governance in Local Government. The local code is subject to annual review by a working group of members and officers.

## Internal control

93. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.
94. We reported our findings to the Audit Committee in May 2016. No material weaknesses in the accounting and internal control systems

were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Our findings included a number of recommendations to enhance the control system in operation...

## Internal audit

95. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
96. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place. There was no systems work carried out by internal audit in 2015/16 on which we placed formal reliance to support our audit opinion on the financial statements. However, we took cognisance of aspects of work by Internal Audit on payroll and treasury management. In respect of our wider governance and performance audit work we reviewed the findings and considered internal audit work on: revenue budget monitoring; statutory performance indicators; workforce planning; national fraud initiative; and IT disaster recovery and business continuity.



## ICT audit

97. Information Communication and Technology (ICT) plays a key role in the delivery of the council's services and meeting the challenges of maintaining and improving services. We carried out an overview of the council's ICT arrangements and also continued to monitor the council's arrangements in the following key areas:
98. **Information management and data protection** – The Council's Information Governance Team (IGT) continued to make good progress in delivering a wide range of activities which ensures ongoing compliance with legislation. This includes the submission of a Records Management Plan to comply with the Public Records (Scotland) Act 2011, and the establishment of Freedom of Information co-ordinators across all services, with support provided by the IGT. Further progress has also been made in the governance and operational aspects of Data Protection.
99. The updated 'Information management strategy 2016' was approved by cabinet in January 2016. As well as improving efficiency in the way they work it will help manage the council's information risk, ensure compliance with relevant legislation, and help service areas and delivery partners to support the journey from 'Good to Great'.
100. **Health and Social Care Partnership** – The introduction of the Health and Social Care partnership has increased the requirement for data sharing to support joint working as well as introducing the need for joint access to the systems of the member councils and health boards.
101. The IJB joined the Ayrshire Data Sharing Partnership and became part of the Ayrshire & Arran Protocol for Sharing Information. It also became a party to the Information Sharing Protocol between North Ayrshire Council and NHS Ayrshire and Arran.
102. Work is ongoing in conjunction with NHS Ayrshire and Arran on the development of an ICT strategy and action plan for the partnership. Work is also underway to provide options to deliver a suitable solution to integrate the networks.
103. **Public Sector Network (PSN) compliance** - the council continues to meet PSN certification requirements. IT services are pro-active in ensuring continued compliance with PSN. There is a coordinated and timely approach toward the annual certification submission.

## Arrangements for the prevention and detection of fraud

104. The council's arrangements in relation to the prevention and detection of fraud and irregularities are satisfactory.
105. The Corporate Fraud team was established within Internal Audit in February 2015, following the transfer of responsibility for housing benefit fraud investigation to the Department for Work and Pensions (DWP). The team provides the Council with the capacity to investigate fraud both within and against the organisation. They also co-ordinate the council's National Fraud Initiative work.
106. The council has recently agreed to provide corporate anti-fraud services to East Ayrshire Council.

## National Fraud Initiative in Scotland

- 107.** The National Fraud Initiative (NFI) in Scotland brings together data from councils, police boards, fire and rescue boards, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.
- 108.** The council has satisfactory arrangements for assessing and investigating matches identified by the 2014/15 NFI, and recording/reporting results. Dedicated resources were made available. This included the NFI key contact (Corporate Fraud Team Leader), designated key contacts within each service area and a contact within IT to support the process.
- 109.** Investigation work was concluded in early 2016. There were no direct outcomes for the council. This is consistent with previous NFI exercises, when almost all outcomes have related to Housing Benefit frauds. These were passed to the DWP for investigation as the Council no longer has responsibility for Housing Benefit fraud. New NFI matches were released in March 2016 and the Corporate Fraud team is currently investigating these to highlight issues requiring further work.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

- 110.** The arrangements for the prevention and detection of corruption in North Ayrshire Council are satisfactory and we are not aware of any specific issues that we need to record in this report.

## Correspondence referred to the auditor by Audit Scotland /Statutory objections to the accounts

- 111.** We received an objection to the accounts covering issues related to the Largs Common Good and Trust Funds. We met with the objector and considered the issues and evidence provided. We are satisfied that this did not identify any issues which had an impact on our opinion on the financial statements.
- 112.** In our response to the objector we noted that the council completed its review of title deeds in 2015 to ascertain that ownership and title of properties has been correctly recorded and accounted for.
- 113.** In determining the ownership of assets the council identifies common good properties in accordance with LASAAC guidance. We are satisfied with the methodology adopted by the council.
- 114.** Whilst we feel this is an approach in line with the LASAAC expectations, we recognise that ultimately only the courts can decide on the outcome of a legal challenge on the title and use of land and property.

## Transparency

- 115. Local residents should be able to hold the council to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources.
- 116. North Ayrshire Council produces an annual performance report. This aims to summarise performance in relation to Statutory Performance Indicators (SPIs) as well as progress and achievement on joint activity with Community Planning Partners. This helps to encourage dialogue and accountability between local communities and the council.
- 117. The council holds public consultations on its community plan and other significant strategic decisions. This allows Locality Partnerships, local communities and other stakeholders to have an input on what the council's priorities should be over the coming years. Members of the public can also attend council meetings and have ready access to agenda papers through the council's website. Council papers provide comprehensive information on all aspects of performance including SPI's and the councils own performance monitoring arrangements.
- 118. Financial reporting at the council is open and sufficiently detailed. Annual financial statements, alongside regular financial monitoring reports are available as public documents, and are open to scrutiny from members.

- 119. We have concluded that the council is open and transparent in the way it conducts its business, with the public able to attend all council meetings and the publication of the Annual Performance Review.

## Freedom of Information requests

- 120. The council's website provides information on how to submit a Freedom of Information (FOI) request.
- 121. During 2015/16 the council received 1277 requests and responded to 1142 (89.4%) of these within the statutory timescale. A total of 58 (4.5%) refusal notices were also issued, resulting in 14 requests for review. Of these, there were six where the council's approach was upheld, two where the council's approach was partially upheld and six which were revised. There were also six appeals against review decisions of which two were upheld for the council, two were revised/for applicant and two are still awaiting a decision.
- 122. Overall, we concluded that the council is meeting its responsibilities in terms of Freedom of Information requests. We are not aware of any concerns that require to be brought to the attention of members.

## Integration of health and social care

- 123. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland.
- 124. The North Ayrshire Integration Joint Board (NAIJB) was one of the first established in Scotland, and has shown a very high level of

commitment to the integration agenda. The three Ayrshire IJBs' lead partner service model is an innovative approach.

- 125. The Strategic Plan 2015-2018 sets out the actions that the partnership will take and provides a basis for measuring how well they are doing and how these are linked to the Board's priorities and the national outcomes. The action plan is monitored each quarter and a refreshed strategic plan was approved in August 2016 following consultation with staff, providers and service users. The Partnership's Change Programme focusses on four main areas to improve the services for users and will require the creation of new targets and indicators to ensure performance is measured in these key areas.
- 126. The Board spent £234 million on delivering health and social care services in 2015/16. Regular budgetary control reports were provided to the Board and to the partner bodies during the year.
- 127. There was an overspend of £2.109 million against budget in 2015/16. North Ayrshire Council agreed to fully fund the overspend on a non recurring basis. A recovery plan, including improvements to budget forecasting and monitoring processes was approved by the IJB and subsequently reported to the Council and NHS Ayrshire & Arran.
- 128. Progress on performance is reported quarterly to the NAIJB performance and audit committee. An annual performance report was published in August 2016. This outlines how the Board has progressed towards its strategic priorities during its first year of operation. Whilst the Board's commitment to providing better

preventative and community based care is encouraging, it is too early to judge its impact.

## Housing and council tax benefits performance audit

- 129. We carried out an assessment of the council's housing benefits performance as part of Audit Scotland's housing benefit risk assessment programme.
- 130. During our previous review in April 2015 we noted that that an unprecedented staff turnover saw nine (33%) of housing benefit processors leave the council between April and November 2014 which resulted in a backlog of work. Clearing the backlog resulted in a further dip in performance.
- 131. The most recent update on performance in April 2016 noted that the council's speed of processing performance in respect of new claims improved during 2015/16. However the speed of processing performance in respect of changes of circumstances has been more erratic during 2015/16 and overall remained at an average of 16 days for the whole year which is well below the Scottish average of 10 days for 2015/16. We noted that the council has recently recruited six new benefit processors which the benefit service hopes will help improve future performance.

## Local scrutiny plan

- 132. The 2016/17 Local Scrutiny Plan (LSP) prepared by the Local Area Network of scrutiny partners for the council was submitted to the

Audit Committee in May 2016. No scrutiny risks were identified which require additional scrutiny or audit work in 2015/16.

## Outlook

- 133.** Councils will continue to operate in a changing environment within continuing financial constraints. Under these circumstances councils will be obliged to consider the delivery of services by different means. As new models of service delivery are implemented this will require an ongoing focus on governance and assurance to ensure that the council's priorities are being achieved.
- 134.** Audit Scotland has introduced a new online resource that is dedicated to sharing our work on health and social care services. It is based on our most recent reports in this area, and is intended to support organisations and individuals involved in health and social care to meet the challenges ahead in the sector:

<http://www.audit-scotland.gov.uk/our-work/transforming-health-and-social-care-in-scotland>

## Best Value



- 135.** Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

## Arrangements for securing Best Value

- 136.** The Transformation Programme aims to provide a fundamental shift in how the council addresses the reduction in financial resources, an ageing population, increasing demand and other customer expectations.

- 137. The council recognises that the more straightforward, less risky savings have already been made. The challenge now is to deliver savings or service improvements that are more complex, longer term and may require structural change.
- 138. The council has made progress in developing the framework and structure to manage and monitor change and transformation activity. The Executive Leadership Team (ELT), which comprises the Chief Executive and Executive Directors, manage and monitor transformational change activity across the Council and ensure that resources and investment are allocated appropriately.
- 139. The Transformation 2 (T2) programme, which was approved by Cabinet in November 2015 includes a number of service review options that were identified during the budget setting process.
- 140. Progress on change and transformation activity requires to be reported to cabinet on a six monthly basis. The latest report to Cabinet, in June 2016, sets out the high level themes that each directorate is responsible for delivering and indicates the size and scale of the transformation work. This indicated that all themes and workstreams identified in the T2 programme are being progressed in accordance with the review programme and timescale.
- 141. Funding for projects aimed at delivering outcomes is drawn from the change & service redesign fund, which is an earmarked element of the general fund. £1.622 million was incurred from this fund in 2015/16 to support the delivery of change across various projects. This fund had a balance of £5.505 million at 31 March 2016 of which £1.231 million is uncommitted

## Procurement

- 142. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice.
- 143. The council's most recent PCA was held in November 2014. The council scored 72%, which was 11% higher than that for 2013 and above the target of 64%. The score achieved in 2014 was also well above the national average of 62%.
- 144. The council has identified actions they need to take to comply with the Procurement Reform Scotland Act 2014 and the Public Procurement (Scotland) Regulations 2015. These are aimed at larger contracts and they result in additional duties for the council in relation to both regulated and Official Journal of the European Union (OJEU) procurement exercise.
- 145. The council has agreed an action plan to demonstrate progress towards complying with the new requirements. This includes: the need to publish a new procurement strategy which demonstrates consultation with stakeholders by 31 December 2016; publish an annual report on regulated contracts by April 2017; and to consider how procurement can demonstrate innovation.

## Shared services

- 146. The council has been working with four other councils (the Clyde Valley Partnership) to progress a residual waste treatment



solution. Viridor Waste Management has been awarded a contract estimated at £700 million for 25 years and is due to start in December 2019. Viridor Waste Management will design, construct, finance and operate the facilities to treat waste which would otherwise go to landfill.

- 147. The environment will benefit since over 90% of the partner councils' waste is forecast to be diverted from landfill; and a Refuse Derived Fuel will be produced which can be used to generate renewable energy. This will help the council meet its recycling targets comply with the Scottish Government Zero Waste Plan and Waste (Scotland) Regulations 2012.
- 148. The council continue to work with East and South Ayrshire councils to deliver the Ayrshire Civil Contingencies Team. The team ensures that the council is able to respond speedily and effectively in a major emergency.
- 149. The three Ayrshire IJBs' lead partner service model demonstrates an Ayrshire wide approach to providing health and social care services. For example, North Ayrshire Health & Social Care Partnership leads the delivery of Mental Health Services for all of Ayrshire.

## Following the public pound

- 150. Local authorities have a statutory responsibility to comply with the Accounts Commission/COSLA Code of Guidance and funding external bodies and following the public pound.

- 151. All committed external funding requires to be approved by cabinet. Monitoring arrangements are in place to ensure that funding is used appropriately and complies with any conditions related to the funding. Periodic checks are carried out by internal audit to confirm adequate arrangements are in place. A compliance team oversees the distribution and monitoring of EU Social Funds.
- 152. North Ayrshire Leisure Trust is the council's largest arms length external organisation. We are satisfied the council has proper arrangements in place to monitor the performance of this organisation.
- 153. The Council has a Code of Practice for Funding of External Organisations. This has not been refreshed for several years and is not widely referred to by officers. The council should refresh this Code on a more regular basis to ensure that strong governance remains in place.

## Performance management

- 154. The council refreshed its performance management strategy in April 2015. This set out the council's vision of where they want to be – which is to be recognised internally and externally as a great council. The council's "Good to Great" improvement journey underpins the strategy and is incorporated within each of the directorate plans (2015-2018). This focuses on five themes (communities, places, partnerships, processes and people) and demonstrates where the council are on this journey and the steps they require to take to improve.

155. There are clear links between the council's strategic priorities contained in the Council Plan 2015/20 and the Single Outcome Agreement (SOA), directorate plans and performance reports. The SOA has an associated action plan. In addition each Directorate has a three year directorate plan and action plans. Progress against each of these plans is reported bi-annually to Cabinet and the Scrutiny and Petitions Committee. Council Plan progress is reported on a six monthly basis to the Executive Leadership Team and Cabinet through Directorate Plans. The detailed reporting of Directorate Plans is supported by the use of Covalent, the electronic performance management system.
156. The council reported in June 2016 that 81% of the measures contained in the council plan had been achieved or were slightly adrift of target.
157. A performance management forum (PMF) has been in place since 2013. This includes membership from all directorates and their role is to embed a high performance culture throughout the council. This was refreshed in 2016 to senior officers with responsibility for performance to reflect a more strategic focus.
158. A PMF workplan was in place for 2015/16 and their progress was reported to Cabinet. An updated workplan for 2016/17 has been approved by Cabinet. This reflects the outputs from workshops with the Improvement Service and the change in focus of the PMF.
159. The 'North Ayrshire Performs' section of the council's website is dedicated to performance and is accessible to the public. This provides a range of information including performance indicators, the performance management strategy, financial information, Directorate Plans, audits and inspections, and achievements. Each indicator on North Ayrshire Performs portal links to the council plan and explains why it is measured. It also compares current performance against target, explains what can affect performance, and what action is being taken to improve performance.
160. The council works with other Scottish councils and the Improvement Service to develop and improve the Local Government Benchmarking Framework (LGBF). Progress and relative ranking is reported to members. The council also participates in several other benchmarking groups and uses the information from this to share good practice and attain external recognition.
161. The council was awarded three star R4E from Quality Scotland in June 2015. R4E is a level of excellence designed largely for organisations that are 'on the way' to excellence. It is a recognition scheme that demonstrates high levels of performance against the nine criteria of the European Foundation for Quality Management (EFQM) Excellence Model.
162. The Executive Leadership Team considered a report on R4E based on the feedback from Quality Scotland. Three phases of work were taken forward relating to performance management. These were: ensuring that the council has the correct indicators to track delivery of the Council Plan; agreeing recommendations on how best to manage and structure performance management staff; and developing a central intelligence infrastructure as the key foundation



towards the creation of the Intelligent Council. These areas of work are continuing to be progressed by the PMF during 2016.

163. We are satisfied that the council has appropriate performance management arrangements in place.

## Overview of performance targets in 2015/16

164. The council will produce an annual performance report in October 2016. This aims to provide a balanced scorecard of the council's progress in achieving their objectives and improving the overall level of performance. The information in this report will draw upon the outcomes and actions which have already been reported to members through the council plan and directorate plan update reports.
165. The annual report for 2015/16 will contain progress against 139 performance indicators. The range of PIs takes into account the Accounts Commission's Corporate Management and Service Performance reporting requirements and the Local Government Benchmarking Framework (LGBF).
166. The Cabinet also receives annual progress reports on the Council Plan. The minutes of the CPP Board highlighting SOA performance are noted at meetings of North Ayrshire Council.

## Statutory performance indicators (SPIs)

167. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission

does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.

168. For 2015/16 three (SPIs) were prescribed:

- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covering a range of information relating to service performance
- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

169. Last year we reported weaknesses in the council's arrangements for collecting data and that this had resulted in a number of indicators requiring to be recalculated.

170. We have reviewed the council's arrangements for collecting recording and publishing data in 2015/16 and concluded that they were satisfactory. Some of our key assurances include:

- The council uses Covalent to capture performance information throughout the year.
- A review of work carried out by internal audit, including their sample testing of indicators.
- Procedural instructions are available on how to compile many of the indicators.
- We checked a small sample of indicators.

## Local performance audit work

- 171. Effective workforce management is essential to ensure that the council maximises the effectiveness of its employees. A workforce strategy is key to setting out how the council will ensure it has appropriately skilled people in place to deliver its services.
- 172. The council's approach to workforce planning is informed through the 'Reshaping the Workforce' workstream which is concerned with delivering on committed budget efficiency savings, while ensuring that workforce changes support service needs in a planned and pro-active way. Progress on the workstream is monitored through regular reports to the Executive Leadership Team and the proposed annual review to the Staffing and Recruitment Committee.
- 173. In November 2013 Audit Scotland published *Scotland's public sector workforce*. The aim of the report was to assess if public bodies are managing their workforces effectively.
- 174. Audit Scotland asked external auditors across the public sector to undertake follow-up audit work on the 2013 report. To avoid duplication, we placed reliance on Internal Audit, who had undertaken a review of workforce planning as part of their 2015/16 audit plan. Where possible, we took cognisance of their findings when competing our work.
- 175. Internal Audit concluded that:
  - The corporate approach to workforce planning could be more clearly defined through the creation of a single corporate workforce planning document.

- Alternatively, the role of the directorate plans with regards to workforce planning could be enhanced by developing greater consistency in terms of approach and content.
- Elected Members are not currently given oversight of the savings and costs associated with workforce programmes.
- Decision makers have a significant amount of detailed, quality information on the workforce on a regular and adhoc basis
- 176. Overall, the council's workforce planning arrangements should be enhanced by outlining a more clearly defined, consistent approach. Officers agreed to implement a new and standardised approach to workforce planning content in the 2017/18 Directorate Plans.
- 177. In accordance with Audit Scotland guidance, an oversight of savings and costs in relation to workforce programmes will be submitted to the staffing and recruitment committee a minimum of once a year. This commenced in May 2016 with the 2015/16 report being submitted to this committee.

## National performance audit reports

- 178. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the council. These are outlined in [appendix III](#). North Ayrshire Council has processes in place to ensure that all national reports and their impact on the council are considered by Members.

## Equalities

- 179.** The Equality Act 2010 introduced a new public sector ‘general duty’ which encourages equality to be mainstreamed into public bodies’ core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
- 180.** The council’s Equality Outcomes and Corporate Equality Group is responsible for directing, supporting and reviewing the arrangements for promoting equality. The Council has a dedicated section on its website relating to ‘equality policy and performance’. The council published its report on equality outcomes within the deadline required by the Act and this can be viewed on the website.

## Outlook

- 181.** As choices on how to address funding gaps become increasingly difficult, councils will have to focus on challenging how they do things. The council has a good performance framework in place to help it do this.
- 182.** The council’s regular review of performance, including the work to implement the actions agreed as a result of R4E feedback, together with the Transformation 2 (T2) programme will be critical to helping the council make the right choices on how it gets the best use out of its existing resources and achieve its strategic aims.

# Appendix I: Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement</b>		
<p><b>Group accounts consolidation of Integration Joint Board</b></p> <p>The North Ayrshire Integration Joint Board (IJB) became operational in April 2015 and will be included in the council's group accounts for the first time in 2015/16.</p> <p><b>Risk:</b> There is a risk that:</p> <ul style="list-style-type: none"> <li>• transactions relating to the IJB are not correctly classified by the council</li> <li>• balances between the council and NHS Ayrshire and Arran are not agreed</li> <li>• the council is unable to provide accurate financial information within the timescales required by the IJB.</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly monitoring of financial information.</li> <li>• Bi-monthly reporting to the IJB.</li> <li>• Strong working relationships between the council and NHS Ayrshire and Arran.</li> <li>• Due diligence completed on the budget setting process.</li> <li>• Agreement on how to account for overspends and underspends is outlined in the Integration Scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Balances were correctly recorded within the financial ledger of the council and health board.</li> <li>• Sample testing of income and expenditure showed transactions had been accurately recorded.</li> <li>• Confirmation of balances were received from each party of the IJB.</li> </ul> <p><i>Our conclusion is that transactions and balances of the IJB were correctly classified within the council ledger. Balances between the council and health board were agreed, and the council was able to provide full financial details to audit within the required timescales.</i></p>
<b>Management override of controls</b>	<ul style="list-style-type: none"> <li>• A sound system of budgetary control,</li> </ul>	<ul style="list-style-type: none"> <li>• No unusual or inappropriate transactions</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p>ISA 240 highlights that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>including regular budget monitoring.</p> <ul style="list-style-type: none"> <li>Regular updates of Standing Orders and Financial Regulations, which require approval by the council.</li> <li>Appropriate segregation of duties.</li> </ul>	<p>were identified as part of detailed testing of journal entries.</p> <ul style="list-style-type: none"> <li>A review of accounting estimates did not show any instance of bias.</li> <li>No significant transactions outside the normal course of council business were identified.</li> <li>Focussed testing of regularity and cut-off assertions showed controls were operating effectively.</li> </ul> <p><i>Our conclusion is that there is no management override of controls at the council.</i></p>
<p><b>Income</b></p> <p>North Ayrshire Council receives a significant amount of income in addition to Scottish Government.</p> <p><b>Risk:</b> The extent and complexity of income means there is an inherent risk that income could be materially misstated in accordance with ISA240.</p>	<ul style="list-style-type: none"> <li>Sound controls arrangements have been reported in previous years of the audit.</li> <li>Internal audit reviews of various income sources.</li> <li>Appropriate segregation of duties.</li> </ul>	<ul style="list-style-type: none"> <li>We carried a high level review of controls within the accounts receivable system in line with our cyclical approach.</li> <li>We performed substantive testing on a sample of transactions from each material category of income.</li> </ul> <p><i>Our conclusion is that income streams are free from material misstatement</i></p>
<p><b>Equal pay provision</b></p>	<ul style="list-style-type: none"> <li>A provision of £2.867 million was in place</li> </ul>	<ul style="list-style-type: none"> <li>The equal pay provision was agreed to</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p>The potential liability resulting from equal pay claims remains uncertain and is subject to the outcome of several national test legal cases.</p> <p><b>Risk:</b> The ultimate cost to the council is significantly different from that provided in the financial statements.</p>	<p>for all known claims against the council at 31 March 2015. A further £1.012 million was earmarked for any future potential claims. This is based on evidence available at the time.</p> <ul style="list-style-type: none"> <li>The council will review its exposure to equal pay claims on an annual basis and determine the level of the provision to be included in the financial statements. The council's legal service is consulted in arriving at the provision.</li> </ul>	<p>supporting working papers</p> <ul style="list-style-type: none"> <li>Management reviewed the equal pay provision and are satisfied that a prudent and complete provision for all known claims is accurately reflected in the accounts.</li> </ul> <p><i>Satisfactory working papers in support of the year end equal pay provision were provided.</i></p>
<p><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>		
<p><b>Financial pressures</b></p> <p>Councils are facing significant financial pressures with reductions in funding and the need to reconfigure services, increasing unavoidable costs, increasing demand for services and the uncertainty around the newly created IJBs. Good financial information to support strategic cost reduction measures will be critical to achieving this.</p> <p><b>Risk:</b> The council is not able to identify</p>	<ul style="list-style-type: none"> <li>The council continues to review its budget on a rolling 3 years basis and the estimated funding gap was considered during the 2016/17 budget setting process.</li> <li>"Transformation 2" seeks to address demographic and financial pressures through transformational change.</li> <li>A People Strategy "Our People Connect" was approved by the Cabinet in May 2015. This aims to enable staff to deliver the strategic priorities in the Council Plan</li> </ul>	<ul style="list-style-type: none"> <li>The 2016/17 budget was set in the context of reduced Scottish Government funding. The council continues to review its budget on an annual basis to ensure budget gaps are being managed and that services are maintained.</li> <li>Monitoring reports presented to committee and the IJB continue to inform members of budget variances and areas of service pressure. These contain sufficient information to allow scrutiny by members. There were no material variances from</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p>sustainable savings measures or meet cost pressures as they arise.</p>	<p>and to identify more efficient ways of achieving this.</p> <ul style="list-style-type: none"> <li>Budget monitoring reports for both capital and revenue are prepared and submitted to Cabinet every two months. This includes a high level budget paper looking at the Council as a whole, together with more detailed reports for each service.</li> </ul>	<p>outturn figures forecast within reports, to the actual outturn reported in the annual accounts.</p> <ul style="list-style-type: none"> <li>The council's rolling 3 year financial plans is supported by its 10 year financial strategy and is based on future assumptions which we consider to be reasonable.</li> <li>The council's reserves will help cushion the impact of required savings in early years. The council recognise that this is not sustainable.</li> </ul> <p><i>The council is in the process of identifying and meeting the sustainable savings measures it requires in order to meet future cost pressures.</i></p>
<p><b>Integration Joint Board Budget</b></p> <p>There has been a recurring overspend in health and social care services in recent years.</p> <p><b>Risk:</b> Given the needs led nature of health and social care services, there is a risk of overspends if scrutiny of partnership budgets is not effective.</p>	<ul style="list-style-type: none"> <li>The council and IJB s95 officers work closely to ensure there is a clear understanding of the IJB's financial performance and any corrective action required to deliver services within available resources.</li> <li>Financial performance of the IJB reported to Cabinet alongside the council's revenue budget monitoring statements.</li> </ul>	<ul style="list-style-type: none"> <li>Regular budgetary control reports have been provided to the IJB and to the partner bodies, with appropriate action being taken during the year where potential overspends or service pressures have been identified.</li> <li>The IJB incurred an overspend of £2.109 million against budget in 2015/16 which was fully funded by the council on a non recurring basis. A recovery plan, including improvements to budget forecasting and monitoring processes was approved by the</li> </ul>

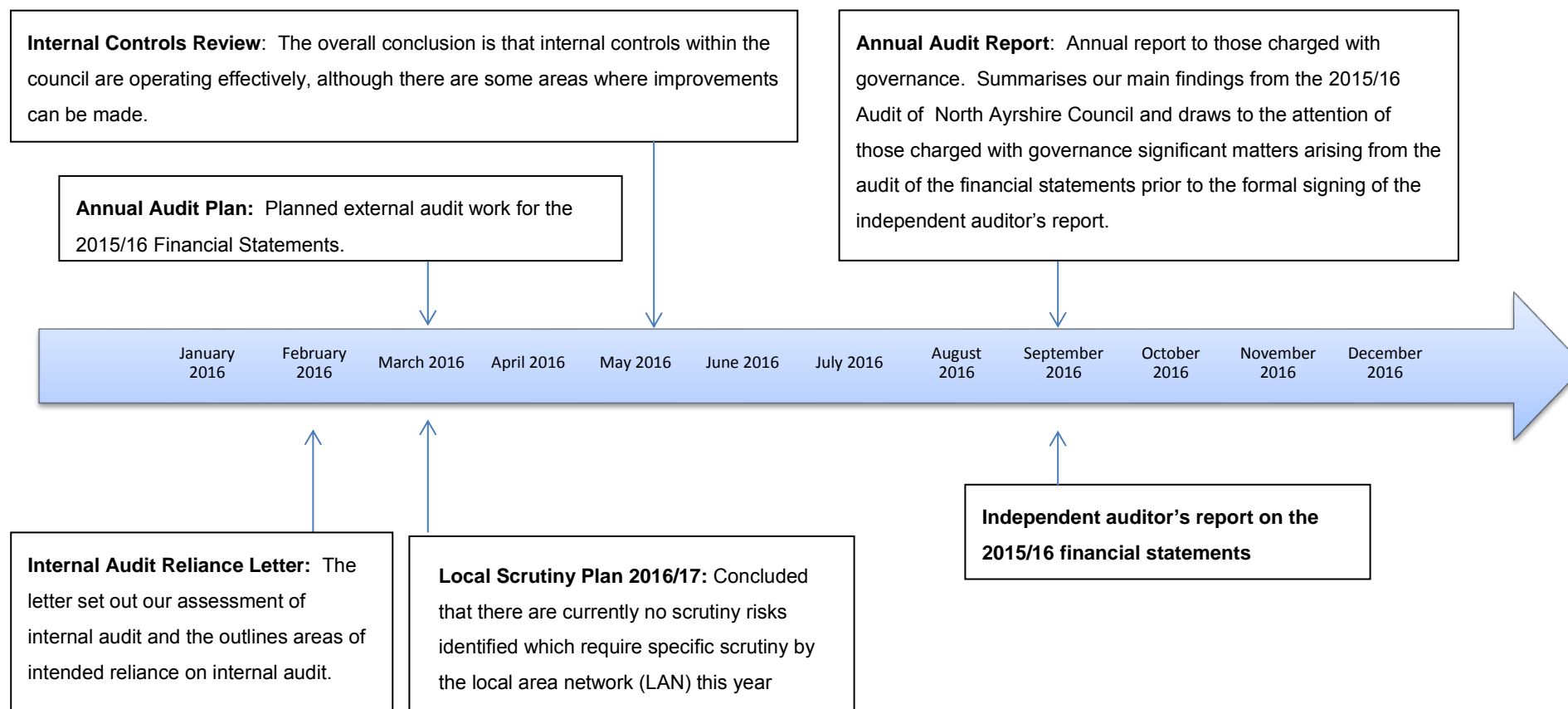


Audit Risk	Assurance procedure	Results and conclusions
		<p>IJB and subsequently reported to the partner bodies.</p> <p><i>Planned improvements to budget forecasting and monitoring will be monitored in 2016/17.</i></p>
<p><b>Performance indicators</b></p> <p>There are insufficient procedural instructions on how to collect data for some performance indicators. In other cases sample tested, there was little or no evidence in support of the indicator reported.</p> <p><b>Risk:</b> Performance data reported may be based on information that is not robust.</p>	<ul style="list-style-type: none"> <li>• The council agreed to carry out further work to ensure there are robust procedures and clear audit trails for all performance indicators.</li> <li>• Review of performance indicators included in internal audit work plan for 2015/16.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit testing of a sample of performance indicators,</li> <li>• Established that there were robust procedures in place for the collection of the data.</li> </ul> <p><i>Satisfactory procedures in place to collect and report performance information</i></p>
<p><b>Data sharing with NHS Ayrshire &amp; Arran</b></p> <p>The sharing of information between the council, NHS Ayrshire and Arran, and the IJB is essential to planning and delivering integrated care.</p> <p><b>Risk:</b> If data is not shared effectively it could impact the quality of services. There is also the risk that inappropriate access to council information or data may not be handled</p>	<ul style="list-style-type: none"> <li>• The IJB joined the Ayrshire Data Sharing Partnership and is party to the Information Sharing Protocol between North Ayrshire Council and NHS Ayrshire and Arran.</li> <li>• A contract has been awarded to a consultant on behalf of the three Ayrshire councils and NHS Ayrshire and Arran to review each organisation's infrastructure and supply the options to deliver a suitable solution to integrate the</li> </ul>	<ul style="list-style-type: none"> <li>• Audit testing of system access controls confirmed that NHS employees who have access to council systems have gone through the necessary approval processes.</li> <li>• The project to deliver an integrated network solution is adequately monitored.</li> </ul> <p><i>Data is securely shared between partners</i></p>

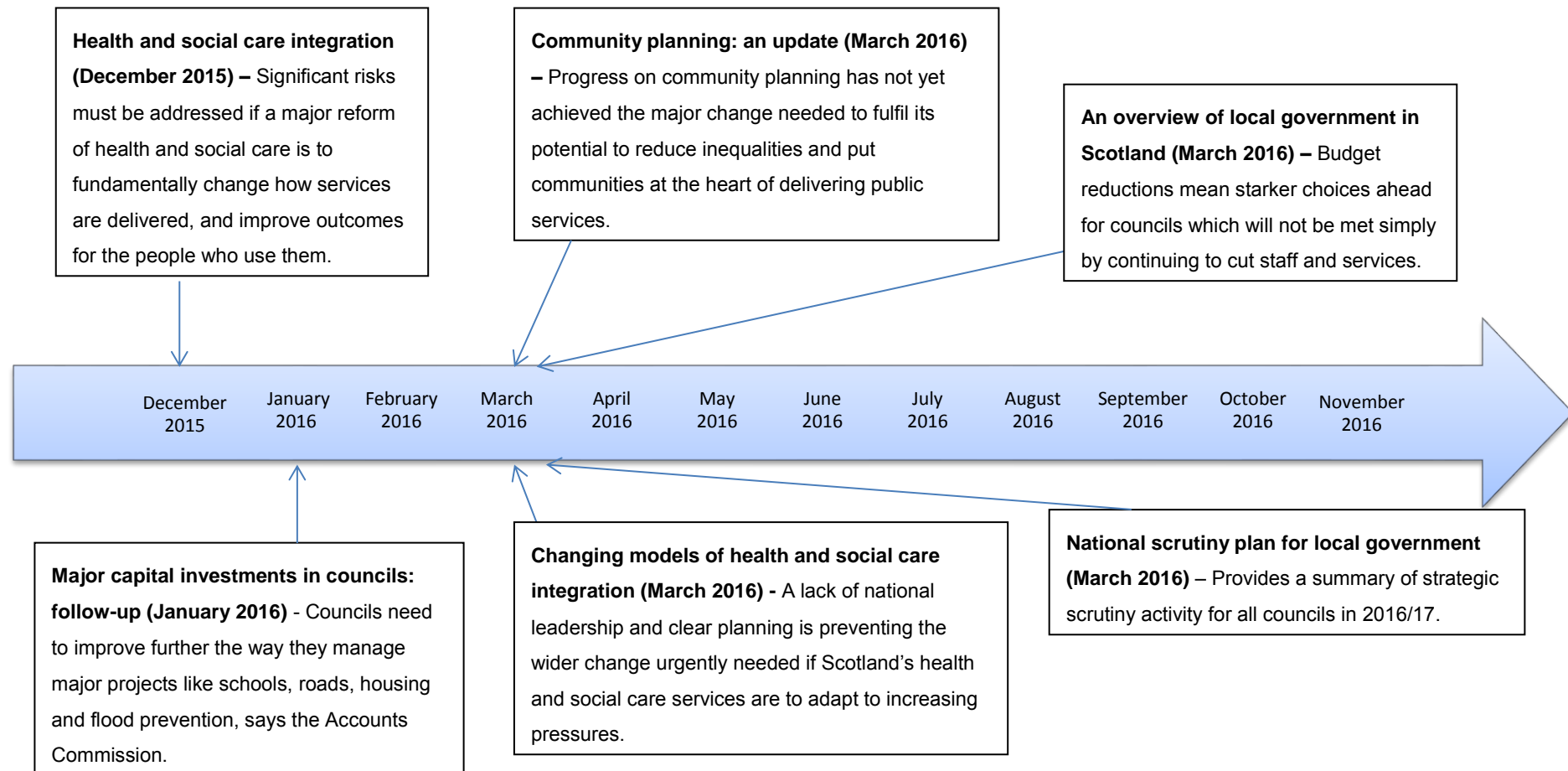


Audit Risk	Assurance procedure	Results and conclusions
securely, which could result in reputational risk to the council.	networks. Cost, security, PSN compliance and support of the infrastructure will all be taken into consideration.	
<p><b>Workforce management</b></p> <p>The constrained financial position may result in reductions in the council workforce. All reductions in workforce should be strategically based and all costs and savings arising from workforce reductions should be provided to members.</p> <p><b>Risk:</b> The delivery of council services could be adversely impacted or the workforce may not have the skills to deliver the change programmes planned.</p>	<ul style="list-style-type: none"> <li>• The council considers workforce planning requirements through its directorate plans.</li> <li>• A People Strategy was introduced in June 2015.</li> <li>• Review of aspects of workforce management by internal audit in 2016.</li> </ul>	<ul style="list-style-type: none"> <li>• We carried out a follow up work based on the recommendations in the 2013 report.</li> <li>• We reviewed the findings of internal audit follow up work in this areas</li> </ul> <p><i>The council's workforce management arrangements are adequate and are reflected in directorate plans. Arrangements could be improved by outlining a more clearly defined, consistent approach.</i></p>

## Appendix II: Summary of North Ayrshire Council local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



## Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	33 MKI Ref: 68762	<p><b>Financial Outcomes – Social Work Services</b></p> <p>Social Work Services overspent by £2.109 million in 2015/16. This continues a trend of overspends by this service over recent years. The IJB has committed to achieving efficiency savings of £4.000 million in this service in 2016/17. This will be very challenging given the reduced financial settlement for the IJB in 2016/17 and the ongoing increases in demand for services.</p> <p><b>Recommendation</b></p> <p>The council should ensure that the actions contained in the North Ayrshire IJB recovery plan action plan are addressed and that steps are taken to address any projected overspends.</p>	The Chief Officer / IJB Chief Financial Officer will provide regular financial reports to Council including; the most current financial projections; progress in delivering mitigations to reduce overspends; and progress in delivering agreed efficiency targets. Together this should provide assurance that services are being delivered within the agreed financial envelope.	Executive Director (Finance and Corporate Support). Throughout 2016/17

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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 12**

**9 November 2016**

#### **North Ayrshire Council**

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**Title:** **Audit Scotland Report to Those Charged With Governance on the 2015/16 Audit - Registered Charitable Trusts**

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**Purpose:** To advise Council of matters arising from the audit of the Council's registered charitable trusts for the year to 31 March 2016.

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**Recommendation:** That Council (a) notes the key issues identified in the Audit Scotland report attached at Appendix 1 and (b) notes the actions to be taken by the Council to resolve them where appropriate.

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#### **1. Executive Summary**

- 1.1 The unaudited Trustees' Annual Reports for 2015/16 were approved by Council on 15 June 2016 and submitted to Audit Scotland for audit. The Senior Audit Manager, Audit Services for Audit Scotland completed the audit and reported of their findings to those charged with governance at the Audit and Scrutiny Committee on 23 September 2016. The Independent Auditor's Report was free from qualification and confirmed that the accounts:
- properly presented the receipts and payments of the charity for the year ended 31 March 2016 and its statement of balances at that date; and
  - had been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9 (1), (2) and (3) of The Charities.
- 1.2 This allowed the financial statements to be approved and certified by the Audit and Scrutiny Committee on 23 September 2016.

## **2. Background**

- 2.1 The Council's charitable trust accounts for the year to 31 March 2016 were submitted to Audit Scotland for audit by the statutory deadline of 30 June 2016. The external auditor was required to complete his audit by 30 September 2016 and to report on certain matters arising to those charged with governance in sufficient time to enable appropriate action to be taken before the financial statements were approved and certified.
- 2.2 Audit Scotland's Governance report on the 2015/16 charitable trust accounts is attached to this report for Council's information (Appendix 1). The report confirms that Audit Scotland issued an unqualified audit report on 23 September 2016 and that there had been no material monetary adjustments to any of the accounts of the charitable trusts.
- 2.3. Pages 6 - 7 in Appendix 1 of the attached audit report outline the key issues identified during the audit of the accounts for 2015/16. In the main these relate to the low levels of activity within these trusts and the Appendix outlines the course of action agreed by Council officers. These issues relate to:
- Anderson Park Trust
  - Douglas Sellers Trust
  - North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust
  - North Ayrshire Council (Largs) Charitable Trust
  - North Ayrshire Council Charitable Trust

## **3. Proposals**

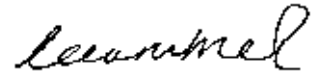
- 3.1 That Council (a) notes the key issues identified in the Audit Scotland report attached at Appendix 1 and (b) notes the actions to be taken by the Council to resolve them where appropriate.

## **4. Implications**

<b>Financial:</b>	None
<b>Human Resources:</b>	None
<b>Legal:</b>	None
<b>Equality:</b>	None
<b>Environmental &amp; Sustainability:</b>	None
<b>Key Priorities:</b>	None
<b>Community Benefits:</b>	None

## **5. Consultation**

- 5.1 Consultations have taken place with Legal Services and relevant Executive Directors during the audit process.



LAURA FRIEL  
Executive Director (Finance and Corporate Support)

### **Reference :**

For further information please contact David Forbes, (Senior Manager Financial Management) on 01294 324551

### **Background Papers**

North Ayrshire Charitable Trusts: Unaudited Trustees' Annual Reports  
2015/16 - North Ayrshire Council - 15 June 2016





# **Charitable Trusts administered by North Ayrshire Council**

## **Report to those charged with governance on the 2015/16 audit**



Prepared for the members of North Ayrshire Council  
23 September 2016

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# Contents

<b>Introduction .....</b>	<b>4</b>
Status of the Audit .....	4
Matters to be reported to those charged with governance .....	4
Accounting and internal control systems .....	6
Significant findings from the audit .....	6
Acknowledgements .....	7
<b>Appendix A: Proposed Independent Auditor's Report.....</b>	<b>8</b>
<b>Appendix B - Registered Trusts where North Ayrshire Council is the sole trustee .....</b>	<b>10</b>
<b>Appendix C: ISA 580 - Letter of Representation .....</b>	<b>11</b>

# Introduction

1. An audit is required for all registered charities where the local authority is the sole trustee, irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006. The auditor of North Ayrshire Council, Audit Scotland, has been appointed as the auditor of the relevant trusts.
2. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The ISA 260 report was distributed to all trustees in advance of 23 September 2016 and trustees have been given the opportunity to discuss points raised within the ISA 260 directly with External Audit.
3. This report sets out for the Trustees consideration the matters arising from the audit of the financial statements for 2015/16 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of North Ayrshire Council, as the sole trustees of the registered charitable trusts listed at appendix B, and no responsibility to any third party is accepted.

## Status of the Audit

4. Our work on the financial statements is now complete. The issues arising from the audit were discussed with officers at regular intervals during the course of the audit. The more significant issues arising were discussed with the Executive Director - Finance and Corporate Support at a meeting on 13 September 2016.
5. We received the unaudited financial statements by 30 June 2016, in accordance with the agreed timetable. The working papers in support of the financial statements were of a high standard. Finance staff provided good support to the audit team and we completed our on-site fieldwork by 31 August 2016.

## Matters to be reported to those charged with governance

### Conduct and scope of the audit

6. We audited the financial statements for ten trusts, where the sole trustee is North Ayrshire Council. These trusts are set out in Appendix B:

7. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of North Ayrshire Council presented to the Audit Committee on 23 May 2016 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
8. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

## Fraud

9. In our Annual Audit Plan for the council, we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the trustees we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

## Audit opinion & representations

10. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 23 September 2016 for each of the ten trusts (the proposed report for each of the registered charitable trusts is attached at Appendix A). There are no anticipated modifications to the audit report.
11. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit. All transactions were deemed to be material due to the small value of funds. There were no unadjusted misstatements identified as part of our audit work.
12. A few presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements.
13. The council has decided not to recharge any administration costs to the trusts in 2015/16. This policy is disclosed in the Notes to the Accounts for all Trusts. As a result the full costs incurred in administering the trusts are not known by the trustees.
14. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix C. This should be signed and returned by the Executive Director (Finance and Corporate Support) with the signed financial statements prior to the independent auditor's opinion being certified.

## Accounting and internal control systems

15. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Significant findings from the audit

16. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
17. In particular, we would draw your attention to paragraphs 18 and 20 below regarding the absence of expenditure incurred by a number of the trusts. The trustees should establish whether these are active funds, or whether they should enter into discussions with the Office of the Scottish Charity Regulator (OSCR) to reorganise or dissolve these trusts. There is a risk that the trustees are not fulfilling the terms of the trust deeds.
18. There has been no expenditure incurred by the following trusts in the last few years. These trusts are therefore dormant.

Trust Fund	Fund Balance
<b>Anderson Park Trust</b>	£798
<b>Douglas Sellers Trust</b>	£1,796
<b>North Ayrshire Council (Kilbirnie &amp; Glengarnock) Charitable Trust</b>	£5,448
<b>North Ayrshire Council (Largs) Charitable Trust</b>	£17,947

**Resolution:** We will continue to identify options for utilising trust balances and these will be presented to trustees when available. Thereafter, OSCR approval will be sought to wind up these trusts.

19. **North Ayrshire Council Charitable Trust:** - This trust is made up of the eight OSCR registered trusts listed at appendix B. The accounts highlight that there are no trust deeds for three of the eight component trusts. These are Largs War Memorial Fund, Robert Fleck Award for Irvine Schools and Sir James Dyer Simpson Prize for Largs Academy. Our audit testing was therefore unable to confirm that expenditure incurred in 2015/16 was in accordance with trust deeds. However, we have taken assurance from the expenditure incurred being in accordance with the description of the trust funds. The three trusts incurred expenditure of £255 during 2015/16. The combined assets of these three trusts was worth £19,516 at 31 March 2016. This has not affected our audit opinion on the trust as a whole. The North Ayrshire Council Charitable Trust had combined assets worth £252,351 at 31

March 2016, received income of £7,402 in 2015/16 and incurred expenditure of £3,887 during 2015/16. Trustees should consider the need to register new trust deeds to clarify the purpose of these trust funds.

20. There has been no expenditure incurred by three of the eight component trusts in the last few years and no decisions about the future of these trusts are recorded in the Area Committee minutes. The three trust funds referred to are McGavin Park, Largs War Memorial Fund, and North Ayrshire Museum. As these trusts are dormant, trustees should consider whether the trusts are fully meeting their objectives.

**Resolution:** Due to recent inactivity within McGavin Park, Largs War Memorial Fund and North Ayrshire Museum, options will be sought to expend the entire trust fund balances for these funds. These will be presented to the trustees when available.

21. **Trusts wound up.** Two trusts: The North Ayrshire Council (Ardrossan) Charitable Trust; and The North Ayrshire Council (Salcoats) Charitable Trust were both wound up during 2015/16. OSCR approved that an audited trustees annual report and financial statements are not required for 2015/16.
22. **Resolution:** For information only.

## Acknowledgements

23. We would like to express our thanks to the staff of North Ayrshire Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix A: Proposed Independent Auditor's Report

## **Independent auditor's report to the trustees of <charity listed at appendix B> and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of <charity listed at appendix B> for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of receipts and payments, statement of balances, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the trustees and auditor**

The trustees are responsible for the preparation of the financial statements which properly present the receipts and payments of the charity. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.



### **Opinion on financial statements**

In my opinion the financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2016 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

### **Opinion on other prescribed matter**

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Paul Craig CA  
Senior Audit Manager, Audit Services  
Audit Scotland  
4th Floor, The Athenaeum Building  
8 Nelson Mandela Place, Glasgow, G2 1BT

23 September 2016

Paul Craig is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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# Appendix B - Registered Trusts where North Ayrshire Council is the sole trustee

- Anderson Park Trust (Registered Charity No. SC042136)
- Douglas Sellers Trust (Registered Charity No. SC042101)
- Margaret Archibald Bequest (Registered Charity No. SC042117)
- North Ayrshire Council (Beith & Gateside) Charitable Trust (Registered Charity No. SC043498)
- North Ayrshire Council (Dalry) Charitable Trust (Registered Charity No. SC043644)
- North Ayrshire Council (Irvine) Charitable Trust (Registered Charity No. SC043372)
- North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust (Registered Charity No. SC043600)
- North Ayrshire Council (Kilwinning) Charitable Trust (Registered Charity No. SC043374)
- North Ayrshire Council (Largs) Charitable Trust (Registered Charity No. SC0434949)
- North Ayrshire Council Charitable Trust (Registered Charity No. SC025083) includes the results of:
  - Spier's Trust
  - McGavin Park
  - Largs War Memorial Fund
  - North Ayrshire Museum
  - Robert Fleck Award for Saltcoats Schools
  - Hugh Watt Bursary Fund for Irvine Schools
  - John Hugh Watt Scholarship Prize for Irvine Royal Academy
  - Sir James Dyer Simpson Prize for Largs Academy

# Appendix C: ISA 580 - Letter of Representation

23 September 2016

Paul Craig CA  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Paul

**Anderson Park Trust**  
**Douglas Sellers Trust**  
**Margaret Archibald Bequest**  
**North Ayrshire Council (Beith & Gateside) Charitable Trust**  
**North Ayrshire Council (Dalry) Charitable Trust**  
**North Ayrshire Council (Irvine) Charitable Trust**  
**North Ayrshire Council (Kilbirnie & Glengarnock) Charitable Trust**  
**North Ayrshire Council (Kilwinning) Charitable Trust**  
**North Ayrshire Council (Largs) Charitable Trust**  
**North Ayrshire Council Charitable Trust**

## **Annual Accounts 2015/16**

1. This representation letter is provided in connection with your audit of the financial statements of the registered charitable trusts listed above, where North Ayrshire Council is the sole trustee for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements properly present the financial position of each of these registered charitable trusts as at 31 March 2016 and its receipts and payments for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where North Ayrshire Council is the sole trustee,

the following representations given to you in connection with your audit for the year ended 31 March 2016.

### **General**

3. I acknowledge my responsibility and that of North Ayrshire Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered trusts listed above have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. I confirm that the ten trusts presented for audit are all the trusts that require an audit, where the sole trustee is North Ayrshire Council.
5. The information given in the Trustees Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
6. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

### **Financial Reporting Framework**

7. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.
8. Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each registered charitable trust for the year ended 31 March 2016.

### **Accounting Policies**

9. The Annual Report and Accounts have been prepared on a receipts and payments basis as per applicable regulations and the founding documents of each Trust.

### **Going Concern**

10. A number of the trusts have been dormant in recent years. The Trustees have assessed the ability of the registered charitable trust to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

### **Related Party Transactions**

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24.

### **Events Subsequent to the Statement of Balances Date**

12. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the balance sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

### **Corporate Governance**

14. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

### **Fraud**

15. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

### **Assets**

16. The cash and bank balances, and investments shown in the statement of balances at 31 March 2016 were owned by the registered charitable trusts. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value or classification of the assets within the financial statements.

Yours sincerely

**Laura Friel**

**Executive Director (Finance and Corporate Support)**